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सत्यमेव जयते

REPORT

OF

THE FINANCE COMMISSION

सत्यमेव जयते

1957

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I. Introductory

This Finance Commission, the second to be set up under article 280 of the Constitution, was constituted by an Order of the President (No. S.R.O. 1285 dated 1st June 1956) which is reproduced below :

"In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President is pleased to constitute a Finance Commission consisting of Shri K. Santhanam, lately Lt. Governor of the State of Vindhya Pradesh, as the Chairman and the following four other members, *viz.*,

1. Shri Ujjal Singh, former Finance Minister, Punjab.
2. Shri L. S. Misra, retired Chief Justice, Hyderabad.
3. Shri M. V. Rangachari, for some time Finance Secretary, Government of India.
4. Dr. B. N. Ganguli, Professor, Delhi School of Economics.

2. The members of the Commission shall hold office for a period of fifteen months from the date on which they respectively assume office.

3. The members of the Commission except Dr. B. N. Ganguli, shall render whole-time service to the Commission; and Dr. Ganguli shall render, up to the thirtieth day of September, 1956, part-time service, and thereafter whole-time service, to the Commission.

4. The Commission shall, in addition to making recommendations as to the matters specified in sub-clauses (a) to (c) of clause (3) of article 280, make recommendations as to the following matters, namely:—

(a) the sums which may be prescribed under article 273 as grants-in-aid of the revenues of the States of Assam, Bihar, Orissa and West Bengal, in lieu of assignment of any share of the net proceeds in each year of export duty on jute and jute products to those States;

(b) the States which are in need of assistance by way of grants-in-aid of the revenues of those States under article 275, and the sums to be paid to those States, having regard, among other considerations, to:—

(i) the requirements of the Second Five Year Plan, and

(ii) the efforts made by those States to raise additional revenue from the sources available to them;

(c) the principles which should govern the distribution under article 269 of the net proceeds in any financial year of estate duty in respect of property other than agricultural land, levied by the Government of India in the States within which such duty is leviable; and

(d) the modifications, if any, in the rates of interest and the terms of repayment of the loans made to the various States by the Government of India between the 15th day of August 1947 and the 31st day of March 1956."

On 22nd May 1957, we received two additional references from the President. The communication from the Principal Secretary to the Government of India, Ministry of Finance, containing these references is reproduced below:

"The Government of India, in consultation with the State Governments, have decided that an additional duty of excise should be levied on mill-made textiles, sugar and tobacco, including manufactured tobacco, in replacement of the sales taxes now levied by the State Governments, the net proceeds being distributed among the States, subject to the present income derived by each of the States being assured to it. Necessary legislation will be promoted shortly for the levy, by the Centre, of this additional duty. In this connection the President has been pleased to decide that the Finance Commission should be requested to make recommendations to him as to the principles which should govern the distribution of the net proceeds of this additional duty among the States and the amounts which should be assured to the States as the income now derived by them from the levy of sales taxes on these commodities.

2. The President has also been pleased to decide that the Commission should be requested to make recommendations to him as to the principles which should govern the distribution, under article 269 of the Constitution, of the net proceeds in any financial year of the tax on railway fares proposed to be levied by the Railway Passenger Fares Bill, 1957, introduced in the Lok Sabha on 15th May, 1957.

3. I am to request that these two references, which are additional to those made in para 4 of the Order of the President No. S.R.O. 1285, dated 1st June, 1956, may be placed before the Commission for necessary action."

We assumed office on 1st June 1956. Our term of office was extended by a month and we completed our work on 30th September 1957.

2. Before the formal constitution of the Commission, the Government of India took preliminary steps for the collection of material for the use of the Commission. Towards the end of January 1956, a senior officer of the Finance Ministry, Shri M. V. Rangachari, selected to be a member of the Commission, was appointed as Officer on Special Duty in the Ministry, and on 1st April 1956, Shri K. Santhanam also took over as Chairman-designate. In addition to securing the nucleus staff of the Commission, the Finance Ministry requested the State Governments to furnish forecasts of their revenue and expenditure for the five years beginning on 1st April 1957 and memoranda containing their views on matters on which the Commission had to make recommendations to the President. The Civil Accounts Officers were also requested at the same time to supply certain statistics of Central loans to the States. After we assumed office, we wrote to the State Governments on 7th June 1956 asking for additional information, which was likely to be of interest to us, and invited their views on the principles which should govern the distribution of the estate duty on property other than agricultural land and their suggestions regarding modifications, if any, in the terms of the loans taken by the State Governments from the Union between 15th August 1947 and 31st March 1956. On 12th July 1956, we issued a press note asking for the views of the public on the matters to be considered by us. On receipt of the two additional references in May 1957, we wrote again to the State Governments for their views thereon and for certain data connected therewith. The relevant correspondence and the press note are reproduced in Appendix I.

3. We received from the Union and State Governments the forecasts and information required by us as well as detailed memoranda setting out their views on the various issues. They also readily supplied all supplementary information we required.

4. Under article 280 of the Constitution, the qualifications requisite for appointment as members of the Commission and the manner of their selection have to be determined by Parliament by law. This article also lays down that the Commission shall have such powers in the performance of their functions as Parliament may by law confer on them. The Finance Commission (Miscellaneous Provisions) Act, 1951, enacted in pursuance of those provisions and as amended by the Finance Commission (Miscellaneous Provisions) Amendment Act, 1955, is reproduced in Appendix II.

5. The Constitution and the Act referred to in the last paragraph authorise the Commission to prescribe their own rules of procedure. We accordingly made our rules, based more or less on the rules framed by the first Commission. These rules, which are reproduced in Appendix III, provide, among other things, for the manner in which our discussions with the State Governments and members of the public should be conducted. Following the practice of the first Commission, we held our discussions with State Governments and their officers in private session. The Chief Ministers of the State Governments, to whom we invariably explained the procedure we proposed to adopt, concurred in it. We had discussions in public session only with private individuals and representatives of Chambers of Commerce and other institutions, who had submitted memoranda on the problems before us. The names of those who submitted memoranda and of those who appeared before us are shown in Appendix IV. We wish to record our appreciation of the public spirit shown by them.

6. Neither the Constitution nor the Finance Commission (Miscellaneous Provisions) Act, 1951, makes any reference to the staff to be employed by the Commission. The staff has, therefore, to be recruited in accordance with the general rules of recruitment to the public services. As the Commission's work is of a temporary nature, we found some difficulty in recruiting suitable staff speedily. Qualified persons appeared reluctant to serve the Commission without additional remuneration. There was also the general rule that even temporary appointments to certain categories of posts tenable for more than one year should be made through or with the consent of the Union Public Service Commission. While we realise that the scale

of remuneration for the staff and the method of their recruitment should follow the general pattern adopted by the Government, we suggest that the question of making suitable relaxations in order to expedite the work may be considered before the appointment of the next Commission.

7. In one direction, we made a departure from the procedure adopted by the last Commission. We felt that it would be useful to meet the representatives of the press and keep them informed of the progress of our work. We held a press conference at Delhi shortly after assuming office and we made it a practice to hold a press conference on the conclusion of our discussions with each State. These conferences were generally well attended and the representatives of the press showed a lively interest in our work and in the financial problems of the States. We should like to place on record our appreciation of the interest taken by the press in all the States in our work and their courtesy in responding to our invitation. The dates of the press conferences held by us are given in Appendix V.

8. At an early stage of our work, there was a doubt about the exact scope of the reference made to the Commission under article 275 of the Constitution. The majority of the Commission felt that clause (2) of article 275 covered not only the substantive portion of clause (1) but also the two provisos appended to it. We accordingly wrote to the Secretary to the President suggesting that if this interpretation was acceptable to the President, he might be pleased to issue necessary orders to enable the Commission to make recommendations regarding grants under the provisos. We were informed in reply that the President had been advised that as the duty of the Commission to make recommendations was only in respect of grants-in-aid as to which Parliament could make a law under clause (1) of article 275 and as the provisos constituted exceptions to the main provision and there was no mention in them of Parliament making any law, the power of the Commission to make recommendations under clause (2) of article 275 did not extend to the grants under the two provisos. The President accordingly decided that no order need issue asking for the Commission's recommendations regarding the grants under the provisos to article 275. The correspondence is reproduced in Appendix VI.

9. The recommendations of the first Finance Commission were given effect to for the five years ending 31st March 1957. Once a Finance Commission is appointed under article 280 of the Constitution, the President cannot, without considering the recommendations

of the Commission, issue any orders under articles 270, 273 and 275 for transfer of resources to the States. There was also the further difficulty that, owing to the reorganisation of States, the Union Duties of Excise (Distribution) Act became inapplicable from 1st April 1957. It was not possible for us to make our final recommendations in time for steps to be taken for the necessary devolution for 1957-58. It would have caused serious difficulties to the States if they had to present budgets without taking into account such devolution and to manage without it. We decided, therefore, to submit an *interim* report so that temporary provision might be made for these purposes. In framing that report, we wished to maintain the then existing position with the minimum readjustments necessitated by new developments. The States Reorganisation Act and the Bihar and West Bengal (Transfer of Territories) Act had already readjusted for the reorganised States the devolution based on the first Finance Commission's recommendations. We had, however, to take into account the financial integration of Jammu and Kashmir with India which had come into effect in 1954. Certain readjustments relating to the merged Part C States were also necessary. The *interim* report is reproduced in Appendix VII.

10. During the period October 1956 to June 1957, we visited all the States and had discussions with their Governments and officers. In all of them we met the Chief Minister and the Finance Minister; in some States we also met either the entire Cabinet or other Ministers who chose to attend the meetings. We had detailed discussions with the Chief Secretary, the Finance Secretary and other Secretaries who were assisted by senior departmental officers. These discussions were largely on the basis of the memoranda submitted by the State Governments. Some of us also visited the border and tribal areas in certain States and several institutions connected with development and welfare work. During our visits the State Governments and their officers gave us every assistance and readily met all our requests for information. The arrangements made by the State Governments for our discussions and visits left nothing to be desired and we are very grateful to them and their officers for their assistance and co-operation. We met the representatives of State Governments again in New Delhi from 22nd July to 1st August 1957 to hear their views on the two additional references. We also held discussions with the representatives of certain Central Ministries on matters relating to their departments and for clarification of points that had arisen in the course of our discussions with the State Governments. The dates of our

meetings with the State Governments and the representatives of the Central Ministries are given in Appendix VIII.

11. We shall now give a brief account of the scheme of the report. It should be treated, generally, as a continuation of the report of the last Commission. In regard to the historical background and the statistical data, we have not considered it necessary to go over the ground already covered in the report of our predecessors. We have, however, tried to bring the material up-to-date. In Section II, we have briefly reviewed the constitutional and other developments since the report of the last Commission. In Section III, we have considered the functions of the Finance Commission *vis-a-vis* the Planning Commission, in the context of the impact of the first and second five year plans on the finances of the Union and the States. In Section IV, we have examined certain aspects of the constitutional provisions relating to the functions of the Commission. In Section V, we have attempted a brief survey of recent trends in federal finance in some other countries. In Section VI, we have dealt with the principles of grants-in-aid and in Section VII, we have reviewed the States' finances since the last Commission's report. In Section VIII, we have broadly explained the manner in which we have assessed the needs of the States. In the next eight Sections, we have dealt successively with the distribution of taxes on income, the division of Union duties of excise, the determination of grants-in-aid payable in lieu of jute export duty, the determination of grants-in-aid under the substantive portion of article 275 (1), the distribution of estate duty, modification of the terms of Union loans to States, the distribution of the additional duties of excise to be levied in lieu of sales taxes on mill-made textiles, sugar and tobacco and the distribution of the tax on railway fares. We have added a Section dealing with some miscellaneous points arising out of our work and have wound up the report with a resume of our recommendations, a concluding Section and acknowledgements.

II. First and Second Commissions

12. Under the provisions of the Constitution, a Finance Commission has to be appointed on the expiry of every five years or earlier if the President so desires. This ensures a measure of continuity in the work of these Commissions and each Commission gets the advantage of the work of its predecessors. Our task as the second Commission has, in many ways, been made easy by the work of the first Finance

Commission. Their report has clarified the main issues and has set the general pattern on which reports are likely to be made under the present provisions of the Constitution regulating the financial relations between the Union and the States. The rules of procedure, as laid down by them, have been the model on which we framed our own rules. We have made full use of the historical and statistical data contained in their report.

13. While our task has thus been made simpler in some ways, it has been somewhat complicated by the constitutional and other developments subsequent to the last Commission's report. Since 1952, far-reaching changes have been made in the structure and organisation of the component States of the Indian Union. With effect from 1st October 1953, the new State of Andhra was carved out of the former State of Madras. This was a prelude to the more extensive reorganisation of States. The States Reorganisation Commission was appointed in December 1953 and submitted their report to the Government of India on 30th September 1955. The decisions of the Government on the report were embodied in three Acts passed by Parliament in August and September 1956, namely, the States Reorganisation Act the Bihar and West Bengal (Transfer of Territories) Act and the Constitution (Seventh Amendment) Act.

14. The reorganisation has affected all the States except Assam, Orissa, Uttar Pradesh and Jammu and Kashmir. All the Part B States and Part C States have disappeared. Punjab has been enlarged by the merger in it of the Patiala and East Punjab States Union and Rajasthan by the merger of the former Part C State of Ajmer. Saurashtra and Kutch along with the Marathi-speaking areas of the former States of Hyderabad and Madhya Pradesh have been merged in Bombay. Mysore has been enlarged by the inclusion of Coorg and the Kannada-speaking areas of Bombay, Hyderabad and Madras. Travancore-Cochin has been converted into the new State of Kerala by the transfer to it from Madras of the Malabar district and the Kasaragod taluk of the South Kanara district, while five Tamil-speaking taluks have been transferred from Travancore-Cochin to Madras. The Telugu-speaking districts of Hyderabad have been added to Andhra to form the new State of Andhra Pradesh. The Hindi-speaking districts of Madhya Pradesh have been added to Madhya Bharat along with Vindhya Pradesh and Bhopal to form the new State of Madhya Pradesh. An area of roughly 3,000 square miles has been transferred from Bihar to West Bengal. These changes came into effect on 1st November 1956.

15. There are now only fourteen States and six Union territories, the latter being directly administered by the Union Government, with their receipts and expenditure forming part of the Consolidated Fund of India. This radical reorganisation may simplify the task of future Finance Commissions. But our task was complicated by the break in the continuity of the majority of the States and the difficulty of arriving at estimates of their financial position, consequent upon the extensive territorial changes.

16. In April 1953, the Government of India appointed a Taxation Enquiry Commission to make a comprehensive enquiry into the tax system of the country. Their report was published early in 1955 and has been under consideration of the Union and State Governments. Of their recommendations, those relating to the sales taxes were particularly important and, so far as they concerned the Union Government, they have been implemented by the enactment of the Constitution (Sixth Amendment) Act and the Central Sales Tax Act. Many of the State Governments are still in the process of revising their sales tax laws in the light of the recommendations of the Commission.

17. Another development was the financial integration of Jammu and Kashmir with India. Under articles 278 and 295 of the Constitution, as applied to that State by the Constitution (Application to Jammu and Kashmir) Order 1954, the Government of India and the Government of Jammu and Kashmir entered into an agreement under which the State Government became entitled to receive its share of the divisible pool of taxes on income and of Union duties of excise as well as grants-in-aid on the pattern applicable to other Part B States. This agreement, which came into effect on 1st April 1954, was to continue in force until terminated or modified after consideration of the report of the Finance Commission constituted after the commencement of the order. Jammu and Kashmir thus came within our purview and we included it in the scope of the recommendations made in our *interim* report. After the receipt of that report the President terminated the agreement with effect from 1st April 1957, from which date Jammu and Kashmir stands in the same position as the other States for purposes of sharing taxes and receiving grants from the Union.

18. The scope of our work is also somewhat wider because of the additional references which have been made to us. We have been asked to advise on the principles to be embodied in the law of Parliament regarding the distribution of the net proceeds of the estate duty

on property other than agricultural land and the tax on railway fares. Similarly, we have been asked to make recommendations regarding the principles of distribution of the additional duties of excise proposed to be levied by the Union in replacement of the States' sales taxes on mill-made textiles, sugar and tobacco and the amounts to be guaranteed to the States as their present income from sales taxes on these commodities. We have further to advise the President on modifications which may be necessary or desirable in the rates of interest and the terms of repayment of the loans made to the State Governments by the Government of India between 15th August 1947 and 31st March 1956.

19. Our terms of reference enjoin that, in recommending the grants-in-aid of the revenues of the States, we should, among other matters, have regard to the requirements of the second five year plan. We have, therefore, sought to make provision in our scheme of devolution for its implementation. The first five year plan was in operation when the last Commission considered the problem of the States' finances. They made no specific recommendation regarding the implementation of the plan and left it to be financed partly by the additional revenue to be raised by the States, partly by the devolution proposed by them and partly by grants from the Union under article 282 of the Constitution. In the result, out of the estimated revenue expenditure of Rs. 333 crores in the last four years of the first plan, the States met Rs. 77 crores from the proceeds of additional taxation, Rs. 133 crores from grants under article 282 of the Constitution and Rs. 66 crores from the devolution made on the recommendations of the last Commission, and were left with an overall deficit of Rs. 57 crores. The five year plan has now become an integral part of the budgets of the Union and the States and the basic needs of the States cannot be considered in isolation from the needs for development as embodied in the plan. The sums involved in the second plan are much larger than in the first plan and we feel that it will be inappropriate to leave them outside our scheme of devolution. In our assessment of the needs of the States, we have, therefore, taken into account their basic as well as developmental needs.

20. This immediately posed the question of how the developmental needs, to the extent to which they have to be met from the revenue budgets of the States, should be determined. In the memoranda submitted to us by some of the State Governments and in our discussions with them, they made the point that in certain spheres the plan was insufficient and claimed assistance from us for enlarging it. The

second five year plan has been formulated after long and detailed consultations between the Planning Commission and the State Governments. The priorities have been determined and schemes included after taking into account the requirements and resources of the States and the disparities in their development. The plan as a whole has been approved by the National Development Council and Parliament. We did not, therefore, consider it proper to assume the role of a revising body. We accordingly made it clear that, while it was open to the States to move the Planning Commission for modification of the plan or for increase in the provision made in it for any scheme, we would accept the allocation as finally made by the Planning Commission.

21. There were doubts regarding the break-up of plan expenditure between revenue and capital. As we were mainly concerned with the revenue position, we requested the States and the Planning Commission to give us an agreed break-up. This was done.

22. In the result, our main investigation has been directed towards obtaining a reasonable forecast of the committed expenditure of the States for the five years from 1st April 1957 and of the revenue during this period at the level of taxation existing at the end of the first five year plan.

III. Planning and Finance Commissions

23. We had some difficulty in dovetailing our work with that of the Planning Commission owing to two factors. First, the second five year plan covers only the first four years of the quinquennium to which our recommendations will apply. Secondly, the plan does not distinguish between revenue expenditure and capital expenditure, while our main function under the Constitution is to make recommendations for the devolution of revenue resources. We, therefore, obtained from the Planning Commission a state-wise break-up of plan provision between revenue and capital.

24. In assessing the needs of the States, we had obviously to take into account the estimates framed by the Planning Commission in consultation with the State Governments. For this purpose, the Planning Commission had made an assessment of the existing resources of each State, its committed expenditure, the expenditure necessary for its second five year plan and the additional resources to be raised

by it for meeting such expenditure. As regards the revenue expenditure on the plan and the resources which, it had been assumed, would be raised by the States by additional taxation, we have generally taken the figures given to us by the Planning Commission.

25. In regard to the estimates of existing resources and committed expenditure, we obtained forecasts from the States. We had to do so for a variety of reasons. First, the forecasts of the Planning Commission were prepared in 1955 on the basis of the revised estimates of 1954-55, and allowance had to be made for subsequent changes. Secondly, the five year period with which we are concerned coincides with the period of the second plan only for four years. Thirdly, the forecasts of the Planning Commission had, in any case, to be recast for the reorganised States. Having got these fresh forecasts, we fortified ourselves by obtaining the comments of the Planning Commission on them and in our discussions with the State Governments, we made it a point to investigate into any substantial variation between the figures adopted by the Planning Commission and those given to us by the States. In the forecasts agreed to between the Planning Commission and the State Governments, many States had over-estimated the yield from existing sources of revenue and underestimated the committed expenditure. There was also a misunderstanding about the exact scope of the term "committed expenditure" as used in the correspondence between the States and the Planning Commission. We discussed the forecasts of the State Governments with their officers. After consideration of the comments of the Planning Commission and the explanations given to us by State Governments for variations, we attempted to take a realistic view of the revenue and expenditure during the period to be covered by our recommendations. Our scrutiny of the States' forecasts disclosed that not only were the contributions from existing revenues, which were assumed for financing the plan, not available, but also that, in some States, the committed expenditure would absorb part of the resources which they were expected to raise for the plan through additional taxation.

26. We had a further difficulty in making a reasonable forecast of expenditure for the next five years. Apart from the burden of recurring expenditure thrown on the States' budgets by schemes completed under the first five year plan, there were many schemes for which Central assistance was on a matching basis, sometimes tapering off over a short period. This inevitably left a recurring burden on the States, of which no adequate indication could be had from figures of past actuals. In another part of our report, we deal more fully with

matching grants. We mention them here because neither the Planning Commission nor the State Governments nor ourselves have been able to calculate their impact on the finances of the States with any degree of accuracy.

27. Some anomalies inevitably arise where the functions of the two Commissions, the Finance Commission and the Planning Commission, overlap. The former is a statutory body with limited functions, while the latter has to deal comprehensively with the finances of the Union and the States in the widest sense of the term. So long as both these Commissions have to function, there appears to be a real need for effectively co-ordinating their work. It will be an advantage if, in future, the period covered by the recommendations of a Finance Commission coincides with that of a five year plan. Further, it is desirable to eliminate the necessity of making two separate assessments of the needs of the States.

IV. Constitutional Aspects

28. We shall examine briefly the provisions of the Constitution relating to the work of the Finance Commission. The relevant articles are reproduced in Appendix IX.

29. According to article 280, the Finance Commission have to make recommendations to the President on two specific matters and on "any other matter referred to the Commission by the President in the interests of sound finance".

30. The two specific matters are—

(i) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them and the allocation between the States of the respective shares of such proceeds; and

(ii) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India.

31. The Constitution makes it mandatory under article 270 to divide taxes on income other than agricultural income between the Union and the States. For this purpose, taxes on income exclude

corporation tax and any surcharge which may be levied for Union purposes. To the extent that the net proceeds of taxes on income represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, they are retained by the Union. The Constitution also contains in article 272 an enabling provision under which, if Parliament so prescribes by law, Union duties of excise other than duties of excise on medicinal and toilet preparations may be divided.

32. In the case of income tax, the Commission are charged with the duty of making the following recommendations:—

(i) the percentage of the net proceeds of taxes on income, excluding the taxes payable in respect of Union emoluments, which shall be deemed to represent proceeds attributable to Union territories;

(ii) the percentage of the net proceeds in any financial year of taxes on income other than agricultural income, except in so far as those proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, which shall not form part of the Consolidated Fund of India but shall be assigned to the States within which that tax is leviable in that year and the manner in which, and the time from which, such percentage shall be distributed among the States.

33. The President, after considering the recommendations of the Finance Commission, has to prescribe by order the percentages and the manner of distribution. Parliament is not directly concerned with the assignment and distribution of income tax.

34. The position is different in respect of the distribution under article 272 of Union duties of excise. This article does not refer to the Finance Commission. The Commission's jurisdiction to deal with this distribution is derived from the provisions of article 280 (3) (a). It is also open to the President to make a specific reference in this matter to the Commission. There is no obligation on the part of the Union to share the excise duties with the States. When it decides to do so, this has to be done by a law of Parliament, which has to prescribe which of the excise duties, and whether the whole or any part of such duties, should be paid out of the Consolidated Fund of India to the States. The principles of distribution among the States have also to be prescribed by law. In the case of excise duties, the

Finance Commission's recommendations will assist the Union Government in placing appropriate legislation before Parliament.

35. Article 280, as originally enacted, required the Commission to make recommendations on another matter, namely, the continuance or modification of the terms of any agreements entered into under articles 278 and 306 with States in Part B of the First Schedule. The Constitution (Seventh Amendment) Act, 1956, abolished Part B States and deleted these two articles as well as the sub-clause of article 280 dealing with such agreements.

36. The Commission have also to make recommendations to the President in regard to the sums which may be prescribed by him under article 273 as grants-in-aid of the revenues of the States of Assam, Bihar, Orissa and West Bengal in lieu of the assignment of any share of the net proceeds in each year of export duty on jute and jute products. These sums are payable so long as any export duty on jute or jute products continues to be levied by the Government of India or until the expiration of ten years from the commencement of the Constitution, whichever is earlier.

37. Article 275 deals with the grants-in-aid of the revenues of the States. These grants-in-aid are to be provided by law of Parliament; but clause (2) of this article states that until provision is made by law, the President can exercise this power by order. His power is, however, conditioned by the proviso "that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission". No reference to the Commission is necessary, if the grants-in-aid are provided by law of Parliament or if the President considers that no State is in need of assistance. The President has, however, referred the matter to the Commission. But, as mentioned in paragraph 8, the grants contemplated under the two provisos to article 275 (1) have been held to be outside the jurisdiction of the Commission.

38. Under article 280 (3) (b) the Finance Commission have the duty of making recommendations as "to the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India".

39. Under article 280 (3) (c) the President may refer to the Commission any matter which he considers to be in the interests of sound

finance. Under this provision, we have been asked to make recommendations as to the principles which should govern the distribution, among the States, of the net proceeds in any financial year of

(a) the estate duty in respect of property other than agricultural land;

(b) the tax on railway fares; and

(c) the additional duties of excise on mill-made textiles, sugar and tobacco (including manufactured tobacco), to be levied in replacement of the sales taxes on those articles.

In the case of the last item, we have also been asked to recommend the amounts which should be assured to each State as the income now derived by it from the levy of the sales taxes on these commodities.

40. The Commission have further been asked under the same provision to recommend the modifications, if any, in the rates of interest and the terms of repayment of the loans made to the various States by the Government of India between 15th August 1947 and 31st March 1956.

41. The recommendations regarding the three additional terms of reference mentioned in paragraph 39 above have to be implemented by law of Parliament, while those relating to loans may be given effect to by executive order.

42. The estate duty and the tax on railway fares are taxes included in article 269 of the Constitution. Clause (2) of that article states that "the net proceeds in any financial year of any such duty or tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that duty or tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law".

43. Except in relation to the Union territories and to the extent of a Central surcharge, if any, the Union Government have no share in these taxes and are entrusted merely with their levy, collection and distribution. It is obvious that these taxes have been placed under the Union Government to ensure uniformity of taxation and convenience of collection. As regards distribution, though Parlia-

ment is free to formulate any principles of distribution in respect of these taxes, we consider that, to the extent to which they can be reasonably ascertained or estimated, each State should receive, as nearly as may be, from these taxes the amounts which it would have raised if it had the power to levy and collect them.

44. The recommendations of the Commission thus fall under the following categories for the purpose of implementation:

(i) those that have to be implemented only by Presidential order, namely, those relating to the distribution of income tax and grants-in-aid in lieu of assignment of any share of the net proceeds of export duty on jute and jute products;

(ii) those that may be implemented by law of Parliament and until enactment of such law, by Presidential order, namely, those relating to the grants-in-aid under the substantive portion of article 275;

(iii) those that have to be implemented by law of Parliament alone, namely, those relating to the distribution of excise duties, estate duty, tax on railway fares and the additional duties of excise; and

(iv) lastly, those that may be implemented by executive order, namely, those relating to the modifications of rates of interest and the terms of repayment of loans.

V. Recent Trends in Federal Finance

45. It may be useful at this point to review the recent trends in federal finance in some other countries. In Chapter IV of their report, the first Finance Commission have traced briefly the experience of other federations in relation to shared revenues. We do not propose to cover the same ground again, but shall review the subsequent developments in a somewhat wider perspective.

46. In the United States, financial relations between the Union and the States have recently been the subject-matter of study and review by a Congressional Commission on Intergovernmental Relations. The report of the Commission, made in June 1955, is a valuable study in the problem of federal financial relations in that country. It contains many important recommendations regarding the principles on which grants should be made to the States and the conditions that should govern them. The Commission hold that, in the context

of the constitutional development of the United States, conditional grants represent a basically sound technique despite their piecemeal development and hotch-potch appearance. They emphasise that grants should be made only for clearly indicated and important national objectives, that they should be given for broad purposes like public health or welfare rather than for highly specialised schemes, that allocations should be flexible in relation to specific schemes or activities covered by those broad purposes and that matching requirements should take into account the economic conditions in the units and their fiscal capacity.

47. In Canada, the pattern of financial relations between the Dominion and the Provinces has been the subject of criticism in recent years. As the periods for which individual and corporate income taxes and the succession duties were rented from the Provinces by the Dominion were due to expire early in 1957, re-examination of the position became necessary. Meanwhile, a Royal Commission of Enquiry on Constitutional Problems (the Tremblay Commission) is understood to have suggested the transfer back from the Federation to the Provinces of the right to levy taxes in the fields which are now rented. It is also reported to have suggested that responsibility for welfare functions like unemployment insurance, old-age security, and family allowances should remain with the Provinces.

48. The Federal-Provincial Tax Sharing Arrangements Act, 1956 has modified to some extent the former scheme of compensation for the surrender by the Provinces of individual income taxes, corporation income taxes and succession duties, as provided in the Tax Rental Agreements Act of 1952. Each Provincial government has been given the option to choose the most favourable of three alternatives. These are:

(1) a Province will be entitled to compensation at not less than the amount due under the 1952 agreement suitably adjusted for population growth;

(2) it may get 95 per cent of the payments actually made to it in certain preceding periods;

(3) it will be entitled to get compensation according to a new formula by which a Province will obtain the sum of three rental payments, that is to say, (a) 9 per cent on corporation incomes in the Province, (b) 10 per cent on individual

incomes earned within the Province or on incomes accruing within or without the Province to residents in the Province, and (c) 50 per cent of the proceeds of the Dominion succession duty chargeable on property attributable to a Province. If necessary, a tax equilisation payment will also be made to a Province to raise the per capita payment to it to the average per capita payment to the two wealthiest Provinces.

49. In spite of these attractive terms, Quebec has stayed out of these arrangements and Ontario has agreed to rent only the individual income tax field. The other eight Provinces have agreed to vacate the entire field of income and inheritance taxes.

50. In Australia, only income tax has been taken over by the Commonwealth from the States. The scheme of compensation for the surrender of taxing powers by the States was originally laid down in the States Grants (Tax Reimbursement) Act, 1946, but the compensation payments due to the States have increased in recent years, not only because the formula for distribution, authorised by the 1946 Act, contemplated an increase in proportion to the growth of population and the increase in average wages per employed person, but also because *ad hoc* additions to the total amount of compensation payable according to the formula have been made every year. The settled pattern now seems to be for Parliament to pass every year, a States Grants (Special Financial Assistance) Act fixing the total sum of the compensation payable in that year and also the minimum payments for particular States, in case this is considered necessary. For the fiscal year ended June 1957, the compensation payments were about £A 174 millions, compared with the original sum of £A 40 millions mentioned in the 1946 Act.

51. Turning to West Germany, some aspects of the financial relations between the Federal Government and the Laender (States) are of interest. By the Basic Law of the Constitution adopted in March 1949, besides the yield from monopolies, the taxes accruing to the Federation are customs duties, excise taxes with the exception of the beer tax, transportation tax, turnover tax and capital levies for non-recurrent purposes. The State list includes the beer tax, taxes on transactions with the exception of the transportation tax and turnover tax, income and corporation taxes, property tax, inheritance tax, taxes on real estate and on business, and taxes with localised application. This distribution leaves the Federal Government in deficit. It has, therefore, no resources with which to assist the poorer States.

Provision has consequently been made in the Basic Law by which the Federation may, by legislation which requires the consent of the Bundesrat, claim part of the income and corporation taxes to cover federal deficits and subsidies which are to be granted to State governments to meet expenditure in the fields of education, public health and welfare.

52. In order to assist the States with lower tax revenues and to equalise the burden of expenditure, the Federation has also been empowered to grant subsidies, obtaining the funds, if necessary, from specific taxes accruing to the States. Federal legislation, which requires the consent of the Bundesrat, determines which taxes will be utilised for this purpose, and in what amounts, and according to what scale the subsidies will be distributed among the States for equalisation.

53. For the purpose of equalisation, the tax capacity index and the equalisation index of every State are fixed according to prescribed formulae. The former is fixed according to the total tax revenue of the State after some adjustments, while the equalisation index is found by multiplying the federal average tax capacity index per inhabitant by the population figure of the respective State, subject to certain adjustments. The States with a tax capacity index greater than the equalisation index have to pay to the Federation a sum determined in accordance with a prescribed formula and the amounts so collected are distributed to the States whose tax capacity index is less than the equalisation index.

54. The tendency towards centralisation has been viewed with increasing disfavour in Switzerland, where the proposals to transfer from the Cantons to the Federation, by means of formal constitutional amendment, the purchase tax, certain stamp duties and the direct taxes on income were vetoed in a referendum in December 1953. These proposals envisaged that in the distribution of the centralised taxes, the poorer Cantons should benefit; and those Cantons did in fact support the proposals. The opposition to the formal transfer of taxing powers from the units to the centre was, however, widespread and it prevailed.

55. In the Nigerian Federation, the distribution of revenues has been based on the principle of origin or derivation. Out of the central taxes mentioned in the constitution of Nigeria as revised in 1954, the import duty on motor spirit in its entirety, half the import and excise duties on tobacco, one half of all the other import duties, half

the export duties, half the excise duty on beer, the proceeds of personal income tax, and mining royalties were devolved on the constituent regions and distributed as nearly as possible by origin. This scheme of distribution is now due for revision.

56. The Rhodesian constitution provides, among other things, for the devolution to the States of not less than thirty-six per cent of the federal taxes on income and export duties, and not less than two-thirds of the sales and turn-over taxes.

57. We may refer finally to the constitution of Pakistan, which came into force in March, 1956. While the pattern of federal financial relations embodied in this constitution is generally similar to that of the Indian Constitution, there are some differences. Sales taxes are centralised and railways provincialised; there is no provision for the distribution of estate duty on non-agricultural property, while there is a permissive provision enabling the Federal Government to distribute any export duty or any specified tax. The Pakistan constitution provides also for the appointment of a Finance Commission. Pending the recommendations of that Commission, the existing scheme of distribution of revenues as adopted at the time of the unification of West Pakistan has been maintained, subject to a minor adjustment on account of the collections attributable to federally-administered territories.

58. A noticeable trend in all federations has been the progressive increase in the size of federal payments to the states. For the three major federations which have been referred to in the earlier paragraphs of this Section, this growth is illustrated by the figures set out in the following table:

	Fiscal year 1951-52	Fiscal year 1956-57
U. S. A. (in $ millions)		
Net federal expenditure in aid of States and local governments	2,604	3,317*
CANADA (in $ millions)		
Tax rental payments and statutory subsidies . . .	127·2	395·6
Grants for unemployment assistance, old-age assistance, pensions and allowances for blind and disabled persons, health grants, and university grants . . .	37·3**	92·5

	Fiscal year 1951-52	Fiscal year 1956-57
AUSTRALIA (in £A millions)		
Tax reimbursements, special financial assistance, special grants and payments under the financial agreement	162·30	204·82
Commonwealth aid for roads, grants to universities, and grants for long-service leave in the coal-mining industry, encouragement of meat production, Western Australia water works, mental institutions and imported houses, price control reimbursement and tuberculosis benefits .	20·59	38·93***

*Excludes grants from the federal highway trust fund, estimated at $ 1,137 millions in fiscal year 1957.

**Excludes $ 77·2 millions on account of old-age pensions as they have since been federalised.

***Excludes £A 14·77 millions paid to the States from the National Welfare Fund, £A 1·36 millions paid on account of agricultural and other services and £A 14·23 millions paid for assistance to primary producers.

NOTE.—Figures for Australia under column 2 are for 1952-53.

VI. Principles of Grants-in-aid

59. Article 280 (3) (b) of the Constitution casts on us the duty of recommending the principles which should govern the grants-in-aid of the revenues of the States.

60. It would be interesting to recall the scope of grants-in-aid in the scheme of devolution under the Government of India Act, 1935, which set the pattern for such devolution. Sir Otto Niemeyer, on whose award the scheme was based, treated grants-in-aid as a form of residuary assistance for certain Provinces after taking into account the sharing of taxes and the adjustment of debt. While estimating the overall fiscal need of a Province, he took note of the differences in administrative needs which, he thought, could not be obliterated by Central assistance on a basis common to all the Provinces. He recognised the responsibility of each Province to ensure budgetary equilibrium and was anxious to set those Provinces, which were suffering from chronic budgetary deficits, on an even financial keel, without endangering the solvency of the Central Government. He took an integrated view of the finances of the Centre and the Provinces and recognised that any scheme of devolution, which

sought to help the financially weaker Provinces, involved subsidisation at the expense of the financially stronger Provinces. He said that "some Provinces are intrinsically better off than others and at the moment less urgently in need of additional resources, and it is both fair and inevitable that a certain measure of corrective should be applied, even if it means that Provinces which have been able to maintain higher standards of administration should now to some slight extent have to progress more slowly". The "correctives" he applied to the scheme of devolution of revenues were debt adjustment, unconditional grants-in-aid, either fixed or tapering, and in the case of the jute-growing Provinces a larger share of the net proceeds of the jute export duty.

61. After the Niemeyer award, the perspective changed as a result of independence and the new conception of close financial collaboration between the Union and the States on the basis of a national plan of economic development. It was no longer merely a question of higher or lower "standards of administration" in the restricted sense. The transition from a police state to a welfare state brought about fundamental changes in the scope of governmental functions and resulted in widening the content of fiscal need. Nevertheless, the basic overall approach of Niemeyer still remains valid; the States and the Union have to balance their budgets within their available resources and the needs of the States, which cannot be met by devolution of shares of taxes, have to be covered by grants-in-aid.

62. The principles formulated by the previous Finance Commission for regulating grants-in-aid of the revenues of the States are, if we may say so, unexceptionable. They suggested that the budgetary needs of the States should be the starting point for determining the assistance required by the States, but that the needs thus disclosed should be adjusted with regard to certain other considerations. First, the budgets of the States should be reduced to a comparable basis by making adjustments in respect of abnormal, unusual and non-recurring items of revenue and expenditure. Secondly, due allowance should be made for "clear cases" of failure of States to maximise tax effort. Thirdly, in order not to place a premium upon extravagance, the States' endeavour to secure reasonable economies in expenditure should be taken into consideration. Fourthly, where standards of social services in any State are significantly lower than in others, it should qualify for special assistance. Fifthly, special disabilities of States due to abnormal conditions beyond their control should be

provided for. Lastly, grants may be made to certain States for the furtherance of broad purposes of national importance, such as primary education, in respect of which they may be specially backward.

63. We see no reason for departing from this basic approach to the problem of grants-in-aid, although our emphasis on the various principles laid down by our predecessors has been influenced by subsequent developments. We endorse the principle of fiscal need and interpret fiscal need comprehensively by taking into account the impact of the completion of the first five year plan and the needs of the second. We have, as in the past, taken an integrated view of the finances of the Union and the States and the financial capacity of the Union to assist the States, after meeting its own essential commitments. We have sought to formulate a scheme of grants-in-aid which should, under normal conditions, enable the States to balance their budgets after meeting their normal revenue expenditure as well as the revenue expenditure incidental to the execution of the second five year plan. We have, as far as possible, reduced the State budgets to a comparable basis. We have also made allowance for the various factors by which the computation of budgetary needs has to be adjusted and have treated grants-in-aid as residuary assistance to the States after taking into account devolution of revenue in other forms.

64. Our predecessors thought that, while considering the eligibility of a State for a grant-in-aid and the amount of such aid, due weight should be given to tax effort, so that the States, which raise adequate resources through taxation, are not penalised and no premium is put upon lack of self-help. The principle of tax effort is unexceptionable, but, as they themselves admitted, "it is only in clear cases of inadequate taxation" that it should affect the quantum of assistance which the States may be otherwise qualified to get. "Clear cases" of inadequate taxation are difficult to determine. Low *per capita* taxation in poor States may simply be evidence of low taxable capacity. An agricultural State with a low level of purchasing power has to maintain a comparatively high level of *per capita* expenditure to sustain a reasonable standard of public services. An industrial State can raise a much larger *per capita* revenue than an agricultural State, even though the kinds and rates of taxes are the same in both. It is, therefore, difficult to decide whether a State is taxing its people adequately in relation to their income and taxable capacity. Some kind of empirical judgment is inevitable. In our

substantial revenue surpluses while Andhra, Assam, Bihar, Hyderabad, Madras, Orissa, Pepsu, Saurashtra and West Bengal had substantial deficits, Madhya Bharat and Mysore having a nominal surplus. The table below shows the cumulative surplus or deficit of each State for this period:

(Rupees in lakhs)

State	Surplus	Deficit
Andhra	..	1161
Assam	..	313
Bihar	..	948
Bombay	935	..
Hyderabad	..	295
Madhya Bharat	45	..
Madhya Pradesh	445	..
Madras	..	2521*
Mysore	21	..
Orissa	..	842
Pepsu	..	206
Punjab	248	..
Rajasthan	552	..
Saurashtra	..	251
Travancore-Cochin	660	..
Uttar Pradesh	474	..
West Bengal	..	2555
Total	3380	9092
Net deficit	. .	5712

*For composite Madras upto September 1953 and for residuary Madras thereafter.

If the transfers to revenue from reserves during the period are excluded, Bombay's surplus drops to Rs. 5·85 crores and that of Uttar Pradesh to a marginal Rs. 1·82 crores, while the surplus of Madhya Pradesh is converted into a deficit of Rs. 2·57 crores and the deficit of Bihar raised from Rs. 9·48 crores to Rs. 17·98 crores.

70. The relatively comfortable position of Bombay, Punjab and Uttar Pradesh was due to their tax effort; these three States raised Rs. 24 crores, Rs. 4.5 crores and Rs. 11 crores respectively during the period. The deficits of the remaining States reflect the impact of the plan on their revenues and, except in the case of Assam, also their failure to raise the additional revenue expected of them. In the case of Andhra, the position appears to have been aggravated by an imbalance in its ordinary revenue position.

71. The total revenue of the States, excluding Union grants and shares of divisible Union taxes and transfers from revenue reserve

VII. Review of State Finances

67. We shall now review briefly the trends in the revenue and expenditure of the State Governments during the period following the report of the last Commission. We propose to confine this review to the four years ending 1955-56, although the recommendations of the last Commission covered the year 1956-57 as well. This is because the financial picture was altered in November 1956 by the reorganisation of States. The four-year period is also convenient as it covers the last four years of the first plan and the actuals of these years reflect the impact of the plan on the State revenues.

68. Before dealing with individual States it will be interesting to view the picture for all the States taken together. In the four years covered by our review, the States excluding Jammu and Kashmir, which was not included in the last Finance Commission's scheme, had a cumulative revenue deficit of Rs. 57 crores. In this period, the revenue expenditure on schemes included in the first five year plan amounted roughly to Rs. 333 crores. The States received from the Union, under article 282 of the Constitution, grants amounting to Rs. 133 crores while they raised additional revenue of Rs. 77 crores. For the remaining plan expenditure amounting to Rs. 123 crores, they were able to utilise Rs. 66 crores which they had as surplus from their ordinary revenues and devolution under the scheme of the first Finance Commission, leaving an uncovered deficit of Rs. 57 crores. The scheme of devolution recommended by the last Commission did not make any direct provision for implementation of the first five year plan; it, however, turned out to be quite liberal in relation to the normal expenditure of the States and for most of them left a substantial margin which helped them in implementing the plan. Because of this liberal devolution, the States did not find it necessary, during the period of the first five year plan, to hold up any scheme for lack of funds, although some of them ran into sizeable deficits. The States did not also find it necessary to draw to any substantial extent upon their accumulated reserves for augmenting their revenues. For all Part A and Part B States together, excluding Jammu and Kashmir, the total withdrawals from reserves during the last four years of the first five year plan amounted only to Rs. 22 crores. Bihar withdrew in this period Rs. 8·5 crores, Bombay Rs. 3·5 crores, Madhya Pradesh Rs. 7·02 crores and Uttar Pradesh Rs. 2·92 crores.

69. We may now turn to a consideration of the position of individual States. Bombay, Madhya Pradesh, Punjab, Rajasthan, Travancore-Cochin and Uttar Pradesh ended this four-year period with

73. Out of the additional revenue raised during the period of the first five year plan, about 50 per cent was accounted for by sales taxes and taxation of motor spirit and tobacco and 20 per cent by motor vehicles, passenger and carriage taxes. The balance was raised by a number of minor taxation measures. Taxation of land contributed very little and, except in Uttar Pradesh, irrigation rates also did not contribute any sizeable amount.

74. The increase in the yield of the principal heads of revenue in 1955-56 as compared to that in 1951-52 was Rs. 55 crores. A state-wise analysis of the yield from the principal heads of revenue is given below:

(Rupees in crores)

State	Yield from principal heads of revenue in 1951-52	Yield from principal heads of revenue in 1955-56
Andhra	*	14·17
Assam	6·41	10·63
Bihar	15·56	18·43
Bombay	36·95	52·07
Hyderabad	21·89	18·12
Madhya Bharat	7·81	9·00
Madhya Pradesh	16·18	17·03
Madras	37·83**	30·42
Mysore	6·88	9·33
Orissa	6·38	6·86
Pepsu	4·35	4·79
Punjab	8·67	10·76
Rajasthan	11·49	10·96
Saurashtra	2·96	5·01
Travancore-Cochin	10·54	11·00
Uttar Pradesh	30·79	45·72
West Bengal	23·86	29·13
TOTAL	248·55	303·43

*Included in Madras.
**Includes Andhra.

The improvement was of the order of 5 per cent per annum; it was due partly to the normal expansion of revenue, partly to increased receipts of land revenue in certain States owing to the abolition of zamindari and partly to the additional taxation, mentioned earlier, imposed for financing the plan.

funds, showed a significant increase from Rs. 332 crores in 1951-52 to Rs. 415 crores in 1955-56. Of this increase, Rs. 55 crores occurred under the principal revenue heads. Land revenue, which accounted for a little less than 20 per cent of the revenue from principal heads in 1951-52, accounted for a little over 25 per cent in 1955-56, the yield rising from Rs. 48 crores to Rs. 78 crores, largely the result of the abolition of zamindari. The revenue from State excise duties declined from a little over Rs. 49 crores in 1951-52 to Rs. 42 crores in 1955-56, its share in the total revenue declining from 20 per cent to 14 per cent. Stamps and Forests showed a slight increase but there was no significant change in their position as components of the revenue. Receipts from motor vehicles rose from Rs. 9·79 crores in 1951-52 to Rs. 15.67 crores in 1955-56, while 'Other Taxes and Duties' expanded from Rs. 87·95 crores to Rs. 104·27 crores.

72. Part of the increase in the revenue of the States was due to the additional taxation imposed during the period. The first five year plan assumed that, in the period covered by it, the States taken together would raise a sum of Rs. 230 crores for financing the plan. In most States, the additional taxation fell far short of the target, only Assam, Bombay, Punjab and, to a certain extent, Rajasthan being exceptions. The statement below shows the target fixed for the individual States and the amounts actually raised by them, according to the estimates of the Planning Commission:

(Rs. in crores)

State	Five year target	Achievement (1951-56)	Achievement expressed as a percentage of target
Assam	3·5	3·3	94·29
Bihar	7·3	3·0	41·10
Bombay	23·5	24·0	102·13
Madhya Pradesh	10·6	2·3	21·70
Madras (including Andhra)	39·3	8·0	20·36
Orissa	9·4	2·0	21·28
Punjab	5·0	4·5	90·00
Uttar Pradesh	50·2	11·0	21·91
West Bengal	36·9	4·5	12·20
Hyderabad	7·4	1·0	13·51
Madhya Bharat	4·9	2·7	55·10
Mysore	9·2	3·0	32·61
Pepsu	4·1	0·4	9·76
Rajasthan	3·3	2·6	78·79
Saurashtra	4·7	2·1	44·68
Travancore-Cochin	11·0	6·0	54·55
Total	230·3	80·4	34·91

of major works, like Bhakra Nangal, Hirakud and Chambal, which are in the process of construction, the interest on outlay is still being added to capital. We apprehend that some time towards the end of the second five year plan period, when some of these projects will be completed, the impact on the revenue budgets of the results of their working will cause anxiety.

78. In respect of electricity undertakings only four States, namely, Madras, Mysore, Punjab and Uttar Pradesh, derived, according to the information supplied to us by the State Governments, an appreciable net return after providing for interest and other charges. The financial results in other States were far from satisfactory. The broad position is indicated by the table below:—

Total net receipts from electricity schemes in the four years ending March 1956

(Rupees in lakhs)

Andhra	—283*
Bihar	—52
Hyderabad	—11
Madhya Bharat	+28
Madras	+180*
Mysore	+149
Orissa	—59
Pespu	+34
Punjab	+197**
Rajasthan	—74†
Saurashtra	—8
Travancore-Cochin	—54**
Uttar Pradesh	+87†
West Bengal	—8†

*Includes for the year 1953-54 actual results of undertakings located in the Andhra and Madras areas respectively.

**Taken from budgets; in all other cases, based on actual results of the major undertakings as furnished by the State Governments.

†For three years ending March 1955.

79. In a formal sense, this problem, perhaps, is no longer the direct concern of the State Governments, since Electricity Boards have been established in some States and will soon be established in others. The mere transfer of the undertakings to autonomous statutory boards will not, however, solve the problem. The State Governments should take adequate stepts to ensure that these boards are run in such manner that they are able to meet the interest burden on the outstanding loans due to the States. States, which are not now levying an electricity duty because the electrical undertakings are state-owned, may strengthen their revenue position by levying it.

75. A disturbing feature in the revenue position of most States was the deterioration in the net receipts from irrigation and electricity undertakings. An analysis of the net return in respect of irrigation works other than multi-purpose projects is given below:—

Net receipts from irrigation works (commercial) after deduction of interest charges

(Rupees in lakhs)

State	1951-52	1952-53	1953-54	1954-55	1955-56
Andhra . .	..	..	(+)40·60	(—) 221·74	(—)230·00
Assam . .	..	..	..	..	..
Bihar . .	(—)28·32	(—) 3·04	(—)29·84	(—)46·67	(—)47·00
Bombay . .	(—)28·03	(—)17·62	(—)28·78	(—)48·05	(—)64·00
Madhya Pradesh .	..	..	..	..	..
Madras . .	(—)97·90	(—)180·31	(—)251·96	(—)106·68	(—)201·00
Orissa . .	(—)10·67	(—)12·32	(—)19·39	(—)23·69	(—)40·00
Punjab . .	(+)57·89	(+)131·19	(+)185·85	(+)138·97	(+)63·00
Uttar Pradesh .	(+)136·31	(+)96·21	(+)192·87	(+)208·41	(+)47·00
West Bengal .	(—)21·13	(—)22·69	(—)11·75	(—)29·17	(—)19·00
Hyderabad .	(—)8·04	(—)11·00	(—)9·25	(—)9·25	(—)11·00
Madhya Bharat .	..	..	..	..	(+)12·00
Mysore . .	(+)3·14	(+)9·30	(+)2·43	(+)4·38	(+)7·00
Pepsu . .	(+)36·97	(+)35·03	(+)40·28	(+)34·47	(+)1·00
Rajasthan . .	(+)9·24	(—)5·77	(—)16·95	(+)4·41	..
Saurashtra . .	(—)5·09	(—)8·86	(—)13·41	(—)18·39	(—)25·00
Travancore-Cochin	(—)0·47	(—)1·07	(—)0·96	(—)3·84	(—)7·00
TOTAL	(+)43·90	(+)9·05	(+)79·74	(—)116·84	(—)514·00

Note :—Interest not debited to the major head "17—Irrigation, Navigation, Embankment and Drainage Works (Commercial)" in Hyderabad, Madhya Bharat, Mysore and Pepsu.

It will be seen that at the end of the first five year plan only two States, namely, Punjab and Uttar Pradesh, were able to obtain a net return from productive irrigation works after meeting interest and other charges.

76. There has been noticeable delay in the utilization of major irrigation works and tubewells. For all Part A and Part B States, excluding Jammu and Kashmir, it was anticipated in the first five year plan that an additional 8.3 million acres or so would be brought under irrigation in the area commanded by major projects. Recent estimates put this figure at less than 4 million acres.

77. The delay in the utilisation of costly works naturally imposes a heavy financial burden. The full extent of this burden on the revenue budgets is not yet apparent, because in respect of a number

on Administrative Services increased by about 12 per cent, the bulk of it occurring under General Administration and Police, the expenditure on the former rising from Rs. 33·7 crores to Rs. 42·41 crores and that on the latter from Rs. 54·9 crores to Rs. 58·24 crores. Expenditure on social services increased by 55·7 per cent, mostly on account of development. Expenditure on Education increased from Rs. 60·30 crores to Rs. 98·89 crores, on Medical and Public Health from Rs. 29·21 crores to Rs. 44·56 crores, on Agriculture from Rs. 18·87 crores to Rs. 25·78 crores, on Veterinary Services from Rs. 4·07 crores to Rs. 5·62 crores and on Co-operation from Rs. 3·75 crores to Rs. 6·32 crores. Miscellaneous and other expenditure rose by 60 per cent, mainly under Civil Works. In many States, larger sums were spent on maintenance and minor works while in some others there was also considerable expenditure on flood and famine relief. On the whole, non-developmental expenditure appears to have risen at a pace somewhat more rapid than was envisaged in the plan, but part of the increase was perhaps unavoidable.

84. The main points brought out by the review of the States' revenue and expenditure may now be summarised:

(a) The scale of devolution recommended by the last Finance Commission was generally adequate for the normal expenditure of most States and left for many of them a sizeable surplus for meeting their plan expenditure.

(b) The tax effort of many States during this period fell far short of the expectations of the Planning Commission. If they had raised the resources expected of them, some of the States, which ran into deficits, might not have done so.

(c) The level of arrears of revenue and overdue loans in some States is a matter of concern and special efforts would seem to be necessary to reduce these arrears.

(d) The public debt of the States is increasing rapidly on account of the implementation of the plan. A considerable part of it may turn out to be deadweight debt and the cost of its servicing will fall on general revenues. Efforts should be made to ensure that irrigation, electricity, transport, commercial and industrial schemes yield the maximum revenue so as to keep down the net burden of interest charges.

80. Concern was expressed by the States deriving appreciable net revenue from electrical undertakings about the adverse effect on their revenues of the transfer of the State undertakings to the Electricity Boards. The payments by these Boards of interest on account of the capital loaned to them by the States has not been accorded sufficient priority in the Electricity (Supply) Act, 1948 and there is reasonbale ground for apprehension that the States may not be able to collect regularly even the interest from the Boards. Further, the Boards being subject to income tax, the States, which have been getting a net revenue from electricity undertakings, are now likely to lose part of it.

81. In more than one State, there has been accumulation of losses in the working of transport, industrial and commercial undertakings. There seems to be inadequate appreciation of the need to run such undertakings on a commercial basis and with a view to bringing a net return to the State exchequer.

82. In a number of States, there has been a steady increase in recent years in the accumulated arrears of revenue. To some extent, particularly in the case of arrears of land revenue and irrigation rates, this might have been due to failure of crops. We were, nevertheless, left with the impression that sufficient attention was not always paid to the recovery of these arrears. The position appears to be the same in the case of loans also. It is hardly necessary to emphasise the need for reducing the overdue arrears, as this will materially assist the States in implementing their development plans.

83. The total expenditure met from revenue, excluding transfers to revenue reserve funds, rose from Rs. 409·57 crores in 1951-52 to Rs. 609·08 crores in 1955-56. Expenditure on tax collection showed a significant increase of 57 per cent, rising from Rs. 35·59 crores in 1951-52 to Rs. 55·94 crores in 1955-56. Land revenue accounted for nearly 60 per cent of the increase; in certain States large sums were set apart for payment of compensation on the abolition of zamindari, while in many others increased expenditure was incurred on survey and settlement. Interest charges rose by nearly 200 per cent, reflecting a steady increase in the States' debt, mostly for financing the execution of capital schemes in the plan. During this period the public debt of the States rose from Rs. 390 crores at the end of 1951-52 to Rs. 1163 crores at the end of 1955-56. Expenditure

as large as in respect of Bihar and Uttar Pradesh. For the remaining States, the capital payments are not considerable.

89. The procedure for meeting the expenditure on compensation is not uniform, but the States have generally adopted the practice of setting aside in some way the additional land revenue which has accrued to them from the abolition of zamindari for meeting the capital cost of compensation. This practice is apparently intended to make zamindari abolition self-financing, the capital cost being in effect written back to revenue over a limited period. This throws an excessive burden on the revenue budgets. In our view, the cost of compensation for zamindari abolition should be met from outside the revenue account. Accordingly, no provision has been made for it in our estimates. Interest on the capital cost of zamindari abolition is, however, a legitimate charge on revenue and allowance has been made for it.

90. It has been the practice in certain States to provide in the revenue budgets substantial sums for amortisation of debt. Such provision has been excluded from our estimates of committed expenditure. In the present circumstances, when the public debt of the States is increasing and the States depend in a substantial measure on devolution of Central revenues for meeting even their committed expenditure, it seems unrealistic to provide for amortisation of debt from revenue, as such provision has, in effect, to come from further devolution of Central revenues. We are wholly in favour of amortisation of debt from revenue, if it could be met out of a real revenue surplus. But now no State has such a surplus.

91. In certain States, special funds for meeting specific items of expenditure have been constituted to which transfers are made from revenue. Where such transfers are made for financing capital outlay, they have been excluded. But when they are for meeting expenditure normally chargeable to revenue, such as maintenance expenditure, we have included them in our estimate of committed expenditure.

92. The reorganised States have to unify the taxation laws inherited from the former States. As it is not possible to assess the financial effect of such unification, we have not taken any account of it in our estimates.

93. Our estimates of the States' resources have been made on the assumption that the cost of any extension of prohibition will be met by special taxation.

(e) Expenditure has been steadily rising as a result of development; non-developmental expenditure has risen at a pace somewhat in excess of that envisaged by the plan.

VIII. Assessment of Needs of States

85. In examining the claims put forward by the States, our main objective has been to ensure that the States should have sufficient revenues to meet normal expenditure and their commitments in respect of the plan expenditure on revenue account.

86. For arriving at what may be regarded as a reasonable level of normal or committed expenditure, certain adjustments have been made by us to secure uniformity in classification.

87. We have omitted from our estimates all items of a capital nature. Most of the States had already removed from the revenue budgets many such items as a result of the suggestions made to the State Governments by the Government of India in October 1955. The object was to transfer from the revenue budget to the capital budget all items of expenditure which created tangible assets. This change is not unreasonable in a period of expansion though, under ordinarily circumstances, there may be justification for meeting unproductive capital expenditure from revenue. It may also be supported by the argument that the State Governments, which now derive about 30 per cent of their budgeted revenues from payments made in some form or other by the Union, are not justified in presenting to the Union Government an exaggerated picture of their needs on revenue account, by including within that account expenditure which can be reasonably treated as of a capital nature.

88. No provision has been made by us for payments from revenue towards the capital cost of the abolition of zamindari. The total amount of compensation cannot yet be closely estimated, as in some States like Bihar the detailed information, which is necessary for this purpose, is still being collected. On a rough estimate, however, the capital payments for the extinction of all proprietary and intermediary rights in land (excluding rehabilitation grants) has been estimated at Rs. 380 crores. The bulk of this liability has accrued in two States, namely, Bihar and Uttar Pradesh. The sums involved in the case of some other States, namely, Rajasthan, West Bengal, Madhya Pradesh and Andhra Pradesh, are appreciable though not

plan expenditure taken by us for our scheme of devolution. We would ordinarily have done so. But this was not necessary because we have not included in the income available to States the receipts from the new tax on railway fares which, we expect, will meet the interest charges.

96. It was difficult to estimate accurately the addition to the committed expenditure of the States on account of the post-intensive community development and national extension service schemes during the period to be covered by our recommendations. We, however, expect that the revenue accruing to the States out of the net proceeds of the estate duty will be sufficient to meet it.

97. In our scheme of devolution we have sought to close the revenue gap for each State as nearly as possible and we believe that, with reasonable prudence on their part, all the fourteen States should be able to balance their revenue budgets.

IX. Distribution of Income Tax

98. Under article 270, we have to make recommendations in regard to three matters, namely,

(a) the percentage of the net proceeds of income tax to be assigned to the States;

(b) the distribution among them of the States' share; and

(c) the percentage of the net proceeds which shall represent proceeds attributable to Union territories.

Before we deal with them, we should like to summarise briefly the views placed before us by the State Governments on the first two which concern them.

99. The States were unanimous in suggesting an increase in the percentage of the net proceeds now assigned to them. Andhra Pradesh, Assam, Bombay, Madhya Pradesh, Orissa and Uttar Pradesh wanted the States' share to be raised from 55 to 60 per cent; Punjab and Jammu and Kashmir, to 65 per cent; Bihar, Kerala and Mysore, to 70 per cent and Rajasthan, to 75 per cent. Madras did not indicate any figure but suggested that the divisible pool should be materially increased. The West Bengal Government did not suggest any percentage, but concentrated on the principles of distribution. Andhra Pradesh, Kerala and Uttar Pradesh desired the

94. As regards plan expenditure and the revenue expected to be raised for it from new taxation, the point arose whether we should confine our recommendations to the four years 1957-58—1960-61, the remaining period of the second plan, and we decided that our recommendations should cover a five year period. For our estimates, we have taken the revenue expenditure of the second plan as agreed to between the Planning Commission and the States as the development expenditure for the five years ending 1961-62. The amounts involved for the States are as follows:—

(Rupees in crores)

State	Total expenditure on the second five year plan	Revenue expenditure included in the total plan outlay shown in the preceding column
Andhra Pradesh	175	54
Assam	58	36
Bihar	194	77
Bombay	350	102
Kerala	87	28
Madhya Pradesh	191	70
Madras	152	45
Mysore	146	39
Orissa	100	27
Punjab	163	44
Rajasthan	105	31
Uttar Pradesh	253	93
West Bengal	154	53
Jammu and Kashmir	34	10
Total	2162	709

We have also assumed that the revenues to be raised by the States and the specific grants to be made to them by the Union during our five year period will be of the same order and on the same pattern as in the second five year plan.

95. No provision has been made in the second five year plan for the interest charges on the capital to be borrowed by the State Governments during the plan period; it has been assumed that these charges would be met from the income accruing from the schemes financed from such borrowing. Many States contended that this assumption was unrealistic and that, as the additional burden involved was likely to be large, it should be included in any estimate of

to be an expanding source of revenue it once was. While in future, with the progressive expansion of economic activity and the plugging of tax evasion, there may be some improvement in the yield, it is unlikely that there will be any very large increase in the revenue from this tax. It is obvious that in the changing pattern of Union taxation, income tax cannot be a major factor in the devolution of further revenues to the States. We, nevertheless, feel that some increase in the States' share of this tax is justified in view of the unanimous desire of the States. After a careful review of the matter in all its aspects, we have come to the conclusion that the percentage of the net proceeds assigned to the States should be raised from 55 to 60.

102. Some States have suggested the inclusion of corporation tax, the tax on Union emoluments and the surcharge on income tax levied for Union purposes in the divisible pool. We are unable to consider these suggestions as they are against the provisions of the Constitution.

103. We now turn to the problem of distribution of the share assigned to the States. The claims put forward by the States generally follow those put forward before the last Finance Commission. In their report, our predecessors have exhaustively dealt with the validity of these claims. They have also dealt at some length with the argument advanced by West Bengal, and repeated before us, that the constitutional provisions require the Centre, after retaining the prescribed percentage of the net proceeds allocated to it, to return the balance to the States on the basis of attributability of the tax, which they equate to collection, subject to minor adjustments.

104. We have considered *de novo* all the claims put forward by the States. We find ourselves in substantial agreement with our predecessors that such considerations as the proportion of the scheduled castes and tribes and backward classes in the population, the area of the State, its backwardness etc., are not relevant to a scheme for the distribution of a tax. We also agree, for the reasons given by them, that there is no legal basis for the West Bengal claim that the Union is in some way required to return to the States the income tax attributable to them after retaining its share.

105. We may consider the two principles, namely, population and collection, on the basis of which the States' share is now distributed. Population has found the widest measure of support among the

inclusion of corporation tax in the divisible pool; Andhra Pradesh, in addition, suggested the inclusion in the pool of the Central surcharge and Kerala, the tax on Union emoluments and pensions.

100. As regards the principles of distribution of the States' share there was a wide divergence of opinion. In West Bengal's view, the only method consistent with the language of article 270 of the Constitution was for the prescribed percentage of the net proceeds to be distributed among the States on the basis of attributability, by which they meant collection, adjusted to provide for payments by assessees of one State into the treasuries of another and for any element of rent or royalty arising in one State and included in the profits assessed in another. Andhra Pradesh, Bihar, Kerala, Madras and Uttar Pradesh suggested population as the sole criterion. Orissa proposed that 80 per cent should be distributed on the basis of population, weighted for the scheduled castes, scheduled tribes, backward classes and rural population, and the balance on the basis of area. Assam proposed that 20 per cent of the States' share should be distributed on the basis of origin as shown by the ratio of the national income arising in the State to the total national income of the country and the balance on the basis of area-*cum*-population. Rajasthan proposed that 80 per cent of the States' share should be distributed on the basis of population and 10 per cent on the basis of the revenue needs and backwardness of the States, the balance being earmarked for the border States. Punjab did not indicate any specific formula, but suggested that the distribution should take into account the population and needs of a State, a small portion, say 10 per cent, being credited to a development fund for backward States. Mysore suggested the distribution of 10 per cent on the basis of collection and 90 per cent on the basis of population. Jammu and Kashmir proposed that half the States' share should be distributed on the basis of population and the other half on the basis of area. Madhya Pradesh wanted that population weighted for scheduled castes and tribes should be the sole criterion. Bombay suggested that a third of the States' share should be distributed on the basis of population and the balance on the basis of collection, after leaving a small reserve for meeting special needs; if this were not acceptable, the State Government suggested a return to the formula of Sir Otto Niemeyer which, according to them, gave equal weight to population and collection.

101. We shall first deal with the determination of the share of the net proceeds to be assigned to the States. Income tax has ceased

been coming into West Bengal from East Pakistan since that census. We do not think it right to readjust the population of West Bengal on this account, as other factors such as variations in birth and death rates, inter-state migration, etc., may have produced changes of population in other States. In our recommendations relating to grants-in-aid under article 275, we have taken note of the difficulties of West Bengal arising out of the influx of refugees.

107. As regards the actual manner of distribution of the States' share in each year, we agree with the first Finance Commission that it will be convenient both to the States and to the Union if the shares are expressed as fixed percentages. We recommend that sixty per cent of the net proceeds in any financial year of taxes on income other than agricultural income, except in so far as those proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, be assigned to the States and distributed among them in the following manner:

State	Percentage
Andhra Pradesh	8·12
Assam	2·44
Bihar	9·94
Bombay	15·97
Kerala	3·64
Madhya Pradesh	6·72
Madras	8·40
Mysore	5·14
Orissa	3·73
Punjab	4·24
Rajasthan	4·09
Uttar Pradesh	16·36
West Bengal	10·08
Jammu and Kashmir	1·13

108. We further recommend that one per cent of the net proceeds of the income tax be prescribed as the net proceeds attributable to Union territories.

X. Division of Union Excises

109. Prior to 1st April 1952, no duty of excise was shared between the Union and the States. The first Finance Commission broke new ground when they recommended that, with effect from 1952-53, 40 per cent of the net proceeds of the excise duties on matches, tobacco (including manufactured tobacco) and vegetable products should be distributed among the States in proportion to their population.

States, while collection has been urged, in the main, by the two industrially advanced States of Bombay and West Bengal. In all previous schemes of distribution, some weight has been given to collection but this has been reduced in favour of population. In our opinion this has been a move in the right direction. Twenty years ago when income tax first came to be distributed, it could have been argued that the agricultural States had a substantial income from, and an expanding source in, land revenue, which had to be balanced by giving a larger share of income tax to the industrial and commercial States. Land revenue has now become a comparatively less important source in all States. The growth of revenue from sales taxes, motor vehicles tax and other taxes like electricity duties and entertainment and passenger taxes, to which the urban population makes a proportionately larger contribution, has created a situation in which the States, which are more urbanised and industrially developed, are in a financially stronger position than those which are not so well developed or urbanised. The main justification for giving a larger share of income tax to the industrial States has, therefore, ceased to exist. Considering that, in this country, income-tax is paid by an infinitesimal portion of the population and that the bulk of the tax arises out of business incomes which, in the context of the economic integration of the country and the disappearance of barriers to inter-state trade, is derived from the country as a whole, the principle of collection can no longer be considered an equitable basis of distribution. While, as pointed out by our predecessors, there may be a case for weightage being given to collection in the restricted field of personal income tax, we have come to the conclusion that, taking all factors into account, collection should be completely abandoned in favour of population as the basis of distribution. This may result in a loss to a few States where collections are concentrated and their revenue position should be safeguarded by taking it into account in the overall devolution. As, however, we do not desire to cause a sudden break in the continuity, we propose that the distribution of the States' share should be 10 per cent on the basis of collection and 90 per cent on the basis of population. This should make it easy to complete, in due course, the process of eliminating the factor of collection altogether and distributing the entire amount of the States' share on the basis of population.

106. In this, as in all other matters, where population has to be taken into account as a factor in the distribution of taxes, we have adopted the population figures of the 1951 census as the only practicable basis. We are aware that a continuous stream of refugees has

114. Several suggestions were made about the principles of distribution of the shares allocated to the States. Andhra Pradesh, Bihar, Kerala, Madhya Pradesh, Madras and Uttar Pradesh suggested population as the sole criterion; Bombay and West Bengal favoured consumption. Orissa proposed that 80 per cent should be distributed on the basis of population with a weightage for scheduled castes, scheduled tribes, backward classes and the rural population, and the balance on the basis of area. Assam suggested the distribution of 80 per cent on the basis of population, weighted according to area, and the balance on the basis of origin which, they thought, was easy to trace as the duties were levied at the production stage. Rajasthan proposed the distribution of 80 per cent on the basis of population, 10 per cent with reference to the backwardness of the area and 10 per cent on the basis of needs for developing the industries on the products of which Union excises are levied. Mysore recommended the distribution of 50 per cent on the basis of population and the rest on the basis of collection. Punjab did not make any specific recommendation.

115. As already mentioned, it was urged by a number of States that all excise duties should be shared. We have carefully considered this suggestion and have come to the conclusion that, for the present, it is neither necessary nor expedient to make such a sweeping change. But we feel that we shall be meeting the general wish of the States if we widen the range by increasing the number of duties to be shared. We have, accordingly, decided that to the three duties which are at present shared, *viz.*, duties on matches, tobacco (including manufactured tobacco) and vegetable products, should be added the duties on sugar, tea, coffee, paper and vegetable non-essential oils. As to the States' share of these duties, keeping in view the sum we propose to transfer to the States from Union duties of excise in our overall scheme of devolution, we consider that it should be 25 per cent. The reduction in the share now allocated to the States out of the duties on tobacco, vegetable products and matches will be more than made good by the widening of the range of divisible duties and each State will receive a larger sum from this source than at present.

116. We now turn to the distribution of the States' share of the divisible excises. The last Finance Commission suggested that consumption of the taxed commodities could provide a suitable basis for distribution but, in the absence of any reliable data of consumption, they recommended population as indicating the nearest measure of

This recommendation was accepted by Government and embodied in the Union Duties of Excise (Distribution) Act, 1953. In the case of Jammu and Kashmir, after its financial integration with India from 1st April 1954, sums equivalent to 40 per cent of the net proceeds of these excise duties levied and collected by the Government of India in that State were paid to it, under an agreement entered into with that State, until 1st April 1957, when that State came within our scheme of distribution.

110. With taxes on income ceasing to be an expanding source of revenue, it is obvious that any further substantial devolution of revenues to the States by sharing of taxes will have to come from Union excises. The coverage and yield of these duties have expanded considerably in recent years. While in 1952-53, excise duties were levied on thirteen commodities giving a net yield of Rs. 83·03 crores, the number of commodities has risen to twenty-nine with a total net yield of Rs. 259·57 crores in the budget for 1957-58.

111. The State Governments were asked for their suggestions in regard to the range of dutiable commodities which should be shared between the Union and the States, the proportion to be allocated to the States and the principles which should govern the distribution of the States' share.

112. All States asked for an increase in the number of commodities the duties on which should be shared. Bihar, Kerala, Mysore, Rajasthan, Uttar Pradesh and West Bengal suggested the inclusion of all excise duties in the scheme. Orissa wanted the duties on sugar, paper, tea and cotton cloth to be added; Assam, the duties on sugar, cotton cloth, motor spirit and tea; Punjab, the duties on sugar, cloth and tyres; Madhya Pradesh, the duties on sugar, kerosene, tea, cotton cloth and non-essential oils; and Bombay, the duties on sugar and cotton cloth. Andhra Pradesh and Madras did not make any specific suggestion, but desired the inclusion of as many duties as possible, or at least the duties on major articles. Jammu and Kashmir suggested the addition of duties on sugar, tyres and cloth.

113. As regards the States' share of the divisible duties, Assam, Bihar, Bombay, Madras, Orissa, Punjab, Uttar Pradesh, West Bengal and Jammu and Kashmir suggested 50 per cent; Andhra Pradesh, Kerala and Madhya Pradesh, 60 per cent; and Mysore and Rajasthan, 70 per cent.

XI. Grants-in-aid in lieu of Jute Export Duty

118. Under the Government of India Act 1935, the net proceeds of the export duty on jute and jute products were shared with the Provinces of Assam, Bihar, Orissa and West Bengal. The Constitution does not provide for the sharing of any duty of customs between the Union and the States, but to enable these States to fill the gap in their revenues caused by the elimination of these receipts, provision was made in article 273 for the payment of grants-in-aid to them for a limited period in lieu of the assignment of any share of these duties. This period will expire with the financial year 1959-60. These grants-in-aid were fixed sums, unrelated to the actual yield from the export duty; and although owing to the suspension of the duty and the ban on exports, the revenue has almost been wiped out during the last three years, these States have continued to receive fixed grants-in-aid.

119. In their representations, the Governments of Bihar and West Bengal desired that the existing grants should be permanently secured to them as grants under article 275. The Government of Assam suggested that the amount of the grant should be recalculated with reference to the increase in the production of raw jute since 1949-50, as the last Commission took into account the production in that year in arriving at the amounts of the grants-in-aid recommended by them. The Government of Orissa suggested that the total sum of Rs. 315 lakhs, which the States were receiving, should be redistributed among them on the basis of the relative production of jute in these States during the years 1952-53 to 1955-56. They also suggested that the grants-in-aid should be continued after 1959-60 and if there was any constitutional difficulty in extending the period prescribed by article 273, corresponding amounts should be paid as grants-in-aid under article 275 separately and specifically on this account.

120. We have to make recommendations as to the sums which should be prescribed as grants-in-aid for the three years 1957-58 to 1959-60. These grants-in-aid have had no relation to the actual revenue of the Government of India from the export duty on jute and jute products. There is, therefore, no question of relating them in any way to the production of jute. We think that the amounts mentioned in our interim report, which are equal to the sums prescribed on the recommendations of the first Finance Commission, as subsequently readjusted on account of the transfer of certain areas

consumption. They also suggested that arrangements should be made for the collection of statistics of consumption of the more important commodities subject to excise. Such statistics are still not available so that in this matter we are in no better position than our predecessors. While it is possible to hold that consumption, if accurate data were available, may provide a suitable basis of distribution, it must be borne in mind that distribution on the basis of consumption may operate in favour of the more urbanised States which are also in a position to raise substantial revenue from sales taxes on such consumption. On the whole, we feel that it is preferable to continue population as the sole basis for distribution. But the practical effect of such distribution would now be to place a few States in a more advantageous position in relation to the rest. We felt that, in the present circumstances, a small corrective in favour of the latter States would be justified. We have accordingly decided that 90 per cent of the States' share of the divisible Union excise duties should be distributed on the basis of population, the balance of 10 per cent being used for adjustments.

117. We accordingly recommend that—

(1) 25 per cent of the net proceeds in any financial year of the Union duties of excise on matches, tobacco (including manufactured tobacco), vegetable products, tea, coffee, sugar, paper and vegetable non-essential oils be paid to the States; and,

(2) this amount be distributed among them in the following manner:—

State	Percentage
Andhra Pradesh	9·38
Assam	3·46
Bihar	10·57
Bombay	12·17
Kerala	3·84
Madhya Pradesh	7·46
Madras	7·56
Mysore	6·52
Orissa	4·46
Punjab	4·59
Rajasthan	4·71
Uttar Pradesh	15·94
West Bengal	7·59
Jammu and Kashmir	1·75

States for development were not fully taken into account, while we have done so. It should, however, be clearly understood that the sums recommended by us, while justified in the context of the second five year plan, are not to be taken as indicating the permanent requirements of the States for their ordinary budgetary needs.

125. In the assessment of the overall needs of the States, we have assumed that in the five years ending 31st March 1962 revenue expenditure on development would be on the same scale as in the second five year plan and would throw a net burden of the order of Rs. 228 crores on the State revenues. A state-wise analysis is given below:—

(Rupees in corers)

State	Total expenditure to be met from revenue	Additional revenue to be raised*	Grants likely to be received from the Union	Balance to be met from current revenue
Andhra Pradesh	54	11	22	21
Assam	36	4	10	22
Bihar	77	27	28	22
Bombay	102	23	44	35
Kerala	28	8	9	11
Madhya Pradesh	70	21	26	23
Madras	45	11	22	12
Mysore	39	9	12	18
Orissa	27	8	9	10
Punjab	44	18	16	10
Rajasthan	31	8	12	11
Uttar Pradesh	93	43	36	14
West Bengal	53	15	25	13
Jammu and Kashmir	10	..	4	6
Total	709	206	275	228

*Figures of Economic Division of the Planning Commission—see Appendix X.

126. By the devolution of revenue which we propose, the States will be receiving a significant measure of assistance which will enable them to implement the plan. We wish to emphasise that they cannot depend wholly on this; they will still have to help themselves by raising at least the additional revenue expected of them towards the execution of the current plan, by securing all possible economies in

from Bihar to West Bengal, should continue till these grants automatically cease at the end of the financial year 1959-60. We accordingly recommend that the sums to be prescribed under article 273 be as follows:—

	(Rupees in lakhs)
Assam	75·00
Bihar	72·31
Orissa	15·00
West Bengal	152·69

121. The disappearance of these grants-in-aid after 1959-60 will cause dislocation in the finances of these States, and we have made due provision for this in our scheme. We should like to make it clear that this should not be construed as giving support to any claim that for the future these States are entitled to be compensated for the disappearance of these grants. Their claim for assistance under article 275 will have to be on a par with those of other States. The anomaly of some States receiving compensation for their share in the past of what is now a non-sharable Central tax was a temporary feature introduced in the Constitution for historical reasons and with the expiry of the prescribed time limit, it should disappear altogether.

XII. Grants-in-aid of Revenues

122. We now turn to the problem of determining the States which are in need of assistance and the amount of the grants to be recommended for them under the substantive portion of article 275 (1) of the Constitution.

123. In our scheme of devolution, we have sought to provide for both the committed needs of the States and their needs for implementing the five year plan, to the extent to which the expenditure has to be met from revenue. We have, as far as possible, tried to meet the requirements of the States by giving them shares of taxes. For most of them, however, this devolution, on a basis common for all the States, falls short of their total needs and we have tried to make good the deficiency by grants-in-aid.

124. The grants-in-aid, which we are recommending, are much larger than the grants-in-aid paid to the States in the past. This is mainly due to the fact that, in the past, the requirements of the

settled between the State and the Union Governments, will be permanently stationed in the Naga hills at the cost of the State Government. Assam will be unable to meet this additional expenditure and *ad hoc* assistance should be given to it by the Union.

For Bihar, we recommend a grant-in-aid of Rs. 3·5 crores a year, to be raised to Rs. 4·25 crores in each of the last two years for the reason mentioned in the case of a similar increase recommended for Assam. The grant-in-aid to Bihar is intended wholly to enable it to meet its commitments under the five year plan.

For Kerala, we recommend a grant-in-aid of Rs. 1·75 crores a year. This will assist the State to implement the five year plan.

For Madhya Pradesh, we recommend a grant-in-aid of Rs. 3 crores a year. This will assist the State to implement its development plan.

Mysore has been materially affected by reorganisation, and is in need of special assistance for meeting both its ordinary and plan deficits. We recommend a grant-in-aid of Rs. 6 crores a year for this State.

For Orissa, we recommend a grant-in-aid of Rs. 3·25 crores a year, to be raised to Rs. 3·5 crores in each of the last two years for the reason explained in the case of a similar increase recommended for Assam and Bihar. Orissa is in need of assistance both for its basic requirements and for implementing the five year plan.

For Punjab, we recommend a grant-in-aid of Rs. 2·25 crores a year. This State has special problems as a border State, with the scars of partition not wholly healed.

For Rajasthan, we recommend a grant-in-aid of Rs. 2·5 crores a year, mainly to enable it to implement its five year plan.

West Bengal is still in a difficult position; its economy and its administration are being strained by the influx of refugees from East Pakistan and it needs substantial assistance. We recommend a grant-in-aid of Rs. 3·25 crores a year. West Bengal's revenue in the last two years would be seriously dislocated by the disappearance of the grant-in-aid under article 273. The grant-in-aid recommended for that State should be raised to Rs. 4·75 crores in each of these two years.

For Jammu and Kashmir, we recommend a grant-in-aid of Rs. 3 crores a year. For some time to come, the State is likely to need assistance, both for its ordinary requirements and for its development.

administrative expenditure and by maximising their revenue through the tightening up of the machinery for collection and by the recovery of overdue arrears.

127. Before we make our recommendations regarding individual States, we shall deal with certain general matters raised by the State Governments in their representations for grants-in-aid.

128. Some States asked for provision for the continuance, in some form, of the assistance which they are now receiving from the Union in connection with food supplies. The question whether such assistance should continue, and, if so, in what form and to what extent, is a matter of policy which it is not possible to forecast as it is bound to change from time to time with changing circumstances. We have, therefore, decided to make no provision for such uncertain contingencies.

129. States having a border with foreign countries have a special problem of border policing. Some of them (notably Punjab) asked for special assistance on this account. In our estimates of the committed expenditure of these States, we have provided for their existing commitments for border police. If, in future, its strength has to be increased or its equipment strengthened in any State, *ad hoc* assistance should be given to it.

130. We now deal with the needs of individual States. For Bombay, Madras and Uttar Pradesh, the shares of revenue accruing to them under our scheme will enable them to meet their current as well as the plan expenditure. No grant-in-aid is necessary for these States.

Andhra Pradesh has special problems arising out of reorganisation. It has also inherited the difficulties of the former Andhra State consequent on its separation from Madras. We recommend a grant-in-aid of Rs. 4 crores a year to this State.

For Assam, we recommend a grant-in-aid of Rs. 3·75 crores a year. In each of the last two years of the five year period covered by our recommendations, the grant-in-aid should be increased to Rs. 4·5 crores, to assist it to meet the shortfall in its revenue due to the disappearance, at the end of 1959-60, of the grant-in-aid under article 273 of the Constitution. In our estimate of Assam's needs, we have not included any provision for the expenditure on the Naga disturbances or on the two battalions of Assam Rifles which, as recently

have been provisionally distributed among the States in the same ratio as the States' share of the divisible pool of income tax.

135. A variety of suggestions were made by the States in regard to the principles of distribution. Andhra Pradesh, Bihar, Kerala, Punjab and Uttar Pradesh proposed population as a suitable basis. Mysore suggested that 90 per cent should be allocated on the basis of population and 10 per cent on the basis of collection; Madhya Pradesh, half by population and half in proportion to the population of scheduled castes and scheduled tribes; and Orissa, 20 per cent on the basis of area and the balance on the basis of population with a weightage for scheduled castes, scheduled tribes and backward classes. Assam wanted the portion attributable to immovable property to be distributed by location and the balance on the principles adopted for the distribution of income tax, while Madras favoured distribution in the same proportion as income tax. West Bengal was for distribution on the basis of attributability and Bombay, on the basis of collection. Rajasthan proposed that 80 per cent should be distributed on the basis of population and 10 per cent on the basis of backwardness and revenue needs, the balance of 10 per cent being reserved for border States. Jammu and Kashmir wanted the distribution to be half on the basis of population and half on the basis of area.

136. Estate duty being a tax on property, the basis of location would be the most appropriate principle of distribution. It is, however, not possible to apply this principle in the case of the part relating to movable property, which may be included in an estate, and in respect of it some general principle of distribution such as population is inescapable.

137. We, therefore, recommend:—

(1) that out of the net proceeds of the duty in any financial year, a sum equal to one per cent be retained by the Union as proceeds attributable to Union territories;

(2) the balance be apportioned between immovable property and other property in the ratio of the gross value of all such properties brought into assessment in that year;

(3) the sum thus apportioned to immovable property be distributed among the States in proportion to the gross value of the immovable property located in each State;

131. The table below summarises our recommendations:—

(Rupees in crores)

State	1957-58	1958-59	1959-60	1960-61	1961-62	Total
Andhra Pradesh .	4·00	4·00	4·00	4·00	4·00	20·00
Assam . .	3·75	3·75	3·75	4·50	4·50	20·25
Bihar . .	3·50	3·50	3·50	4·25	4·25	19·00
Kerala . .	1·75	1·75	1·75	1·75	1·75	8·75
Madhya Pradesh .	3·00	3·00	3·00	3·00	3·00	15·00
Mysore . .	6·00	6·00	6·00	6·00	6·00	30·00
Orissa . .	3·25	3·25	3·25	3·50	3·50	16·75
Punjab . .	2·25	2·25	2·25	2·25	2·25	11·25
Rajasthan . .	2·50	2·50	2·50	2·50	2·50	12·50
West Bengal .	3·25	3·25	3·25	4·75	4·75	19·25
Jammu and Kashmir	3·00	3·00	3·00	3·00	3·00	15·00
Total .	36·25	36·25	36·25	39·50	39·50	187·75

132. Since our scheme of devolution involves substantial transfer of resources for implementing the revenue portion of the plan, which for most States is reflected in the grants-in-aid recommended for them, we considered whether we should make any part of the grants-in-aid conditional on such implementation. We would have liked to do so, if the assistance provided under our scheme had represented the major part of the expenditure. Under our scheme, the States will be receiving a little less than a third of the outlay and a little over a third will come by way of specific assistance from the Union under the plan; for the balance they will have to raise their own resources. We have, therefore, decided not to impose any condition on the grants-in-aid recommended by us.

XIII. Distribution of Estate Duty

133. Under article 269 of the Constitution, estate duty on property other than agricultural land is to be levied and collected by the Union, but the net proceeds, except the proceeds attributable to Union territories, have to be assigned to the States and distributed among them in accordance with the principles formulated by law of Parliament.

134. Estate duty was first levied in this country in 1953 and the total collections upto 31st March 1957 have amounted to about Rs. 4¾ crores. Pending Parliamentary legislation, the net proceeds

approximately Rs. 900 crores. These loans have been made for a variety of purposes, but largely to implement the plan. The amounts of individual loans have ranged from small sums to crores of rupees. The rates of interest have varied from 1 to 5 per cent, some of the loans being free of interest. Except where a concessional rate has been given, the rates have generally been determined with reference to the redemption yield of Central loans with a remaining maturity approximating to the period for which the loans are given. A number of loans are due to be repaid in equated annual instalments, including both principal and interest. Others are repayable in periods ranging from 1 to 40 years.

141. Though the majority of the loans have been sanctioned from the Consolidated Fund of India, some have been given from the Special Development Fund built out of moneys made available through foreign assistance, such as the counterpart funds from the wheat loan provided by the United States of America and the resources received under the Colombo Plan and from the United States International Co-operation Administration.

142. The large number of loans given and the wide variations in the rates of interest and the terms of repayment have introduced an avoidable complication in the financial relations between the Union and the States. It will simplify matters and save a great deal of labour and accounting, if these loans are consolidated and the rates of interest and the terms of repayment rationalised.

143. We should like to deal first with two types of loans, which we do not propose to include in our scheme of consolidation and to which certain special considerations apply, namely, loans given for the rehabilitation of displaced persons and interest-free loans.

144. The terms on which loans have been given to the States for the rehabilitation of displaced persons have caused a great deal of discontent. These loans fall into two categories, namely, those sanctioned before 1st January 1950 and those sanctioned subsequently. In regard to the former category, the States have to bear initially and on a provisional basis fifty per cent of the shortfall in the actual collections of principal and interest in any year, as compared with the amounts which are due to be recovered; the States are entitled to retain on the same provisional basis fifty per cent of the excess, if any, collected by them. These losses and gains are intended to be adjusted against the payments, which may be due from the State

(4) the sum apportioned to property other than immovable property be distributed among the States in proportion to their population. The percentage share of each State will be as follows:—

State	Percentage
Andhra Pradesh	8·76
Assam	2·53
Bihar	10·86
Bombay	13·52
Kerala	3·79
Madhya Pradesh	7·30
Madras	8·40
Mysore	5·43
Orissa	4·10
Punjab	4·52
Rajasthan	4·47
Uttar Pradesh	17·71
West Bengal	7·37
Jammu & Kashmir	1·24

138. We also recommend that the principles of distribution suggested above take effect from the financial year 1957-58. In respect of the preceding period, their application will be difficult owing to reorganisation of the States and will require laborious calculations. As the total amount involved is not considerable, we recommend that the distribution already made be legally ratified.

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XIV. Union Loans to States

139. The next question to be considered is the modification, if any, in the rates of interest and the terms of repayment of the loans made to the various States by the Government of India between 15th August 1947 and 31st March 1956.

140. In recent years there has been a phenomenal growth in the number and amount of the loans given by the Government of India to the States. On 15th August 1947, the total debt of the Provincial Governments to the Centre was only Rs. 43·97 crores. Between that date and 31st March 1951, the number of loans had risen by about 220 and the outstanding amount had gone up to Rs. 195·41 crores. During the period of the first five year plan, namely, from 1st April 1951 to 31st March 1956, the number of outstanding loans rose by about 2570, the total outstanding debt on the latter date being

met. Secondly, concessions of this kind are not subject to Parliamentary control as no funds are voted to cover them. We think that if a scheme has to be subsidised, the subsidy should be given directly and not through reduction in the interest charged. The revenue budgets should show the actual interest burden and any assistance sought to be given through concessional rates of interest should take the form of a direct subsidy.

149. We shall now deal with certain general issues raised by the State Governments. The Bombay Government contended that the average rates of interest charged on the loans had been appreciably in excess of the average cost of the Centre's own borrowings. This view was also advanced by West Bengal, Madras, Uttar Pradesh and Assam. These States argued that, in fixing the rates of interest, the Union Government should take into account foreign assistance received as grants or as loans at concessional rates of interest and the resources raised by deficit financing. Some State governments complained that even though particular development projects in their States were being financed by grants from foreign governments, the capital sums advanced were treated as normal interest-bearing loans. Many of them suggested that the loans they had taken for unproductive or semi-productive purposes should be written off or should bear nominal or reduced rates of interest.

150. Certain specific matters were raised by some States. Madras requested that the ways and means advance outstanding against it should be converted into an interest-free loan till 1958 and should bear a concessional rate thereafter. Punjab asked for conversion into grants of grow more food loans and also part of the loan taken for the construction of the capital at Chandigarh. Rajasthan asked for the conversion into a grant of the loan sanctioned to assist its ways and means position on the abolition of internal customs duties with effect from 1st April 1955. West Bengal renewed its request that the loan which was granted to wipe out the ways and means advance, with which it had started after partition, might be written off. Jammu and Kashmir wanted that the loans sanctioned to the State pending the finalisation of food subsidy payments should be made interest-free.

151. We have already indicated our objection to the grant of an indirect subsidy by way of concessional interest. At the same time, we think that the Union should not deal with the States as if it were a commercial banker. The Union and the States are partners in the

governments, when the final settlement takes place. In respect of loans granted after 1st January 1950, the Government of India have agreed to bear in full such losses on account of principal or accrued interest as may arise on account of default by the parties or individuals from whom they are due; but the State Governments have been asked, for the time being, to pay to the Union, in addition to the amounts collected from the displaced persons, ten per cent of the deficiency in collection, and have been allowed to retain ten per cent of the excess collection, if any.

145. All the States, to which these rehabilitation loans have been given, contended that the distinction between these two categories was unfair and untenable. They argued that these loans were not, in a real sense, for State purposes, that the policy in respect of these loans was laid down by the Union and that the State Governments administered them merely as agents of the Union. They, therefore, urged that they should not be put to any loss on this account and that their sole obligation with respect to these loans should be to pay to the Union whatever they were able to collect by way of interest and principal.

146. This request of the States is reasonable and we recommend that, with effect from 1st April 1957, the States should pay to the Union only the amounts of principal and interest they collect on account of these loans, including the arrears outstanding on that date. We do not apprehend that this will lead to any relaxation in the efforts of the State Governments to recover these loans; we are confident that they realise their responsibilities in this matter.

147. About 335 loans of the total value of approximately Rs. 8 crores have been given free of interest. They were mostly for the construction of educational buildings, assistance to handloom and cottage industries, industrial and other housing, etc. In many cases, these loans have been passed on by the State Governments to local bodies, universities or other agencies on the same terms and the connected transactions cannot now be re-opened. We do not, therefore, recommend any modifications in the terms of repayment of these loans.

148. We should in this connection like to place on record our view that the policy of giving loans interest-free or at concessional rates of interest is open to objection. First, such a concession conveys a wrong impression regarding the interest burden which has to be

156. We now turn to the question of consolidating and rationalising the terms of the loans other than the interest-free loans and the loans for rehabilitation of displaced persons.

157. We have estimated the average cost to the Government of India of all its borrowings, including treasury bills and small savings, during the period from 15th August 1947 to 31st March 1956. In the light of this estimate and taking all relevant factors into account, we have come to the conclusion that the reasonable rate to be charged to the States by the Union should be 3 per cent and this rate should apply to all loans, irrespective of the period of maturity.

158. We consider that all loans, which bear a rate of interest of 3 per cent or more, should be consolidated for each State at 3 per cent. For purposes of repayment they should be split up into two categories. The loans due to be repaid within a period of twenty years from 1st April 1957 should be consolidated into one single loan repayable at the end of fifteen years; the rest, *i.e.*, those repayable after twenty years from that date should be consolidated into another single loan repayable at the end of thirty years.

159. We wish, however, to make an exception regarding loans carrying rates of interest below 3 per cent. They have been made generally for unproductive or semi-productive purposes such as the development of cottage industries and minor irrigation. In our opinion, these loans should be consolidated at an average rate of 2½ per cent, which we expect will enable the Government of India to recover from the States the same amount as at present on account of these loans. For the purpose of repayment, these loans should be split up into two categories in the same manner as the loans referred to in the previous paragraph.

160. To sum up, we recommend that the outstanding balances on 31st March 1957 of all loans by the Government of India to State Governments made between 15th August 1947 and 31st March 1956, excluding the loans given for rehabilitation of displaced persons and interest-free loans, be consolidated, for each State, as follows:—

(i) the balances of all loans carrying interest at 3 per cent or more per annum and repayable on or after 1st April 1977, be consolidated into one single loan at 3 per cent per annum repayable on 31st March 1987;

(ii) the balances of all loans carrying interest at 3 per cent or more per annum and repayable on or before 31st March

big enterprise of national development, and while there is no reason why the Union should lend to the States at less than the true cost of its borrowing, there is no justification either for charging more than the true cost. In calculating such cost, all factors which affect the cost of borrowing should be taken into consideration.

152. We are not making any recommendations regarding the requests made to us for the writing off of certain loans as they are outside our terms of reference. Moreover, it would be inequitable to consider such claims on behalf of individual States except as part of a general plan of debt readjustment for which the time is perhaps not yet ripe.

153. In our view, there is no justification for the claim that the amount of foreign assistance for any schemes should be passed on wholly to the States in which the scheme financed by such assistance are located. Foreign assistance accrues to the country as a whole and it will not be fair to pass on the benefits to particular States just because the schemes financed by such assistance happen to be located therein. There is a case, however, for taking such foreign assistance into account in determining the overall rate of interest to be charged from the States and we have done so.

154. Similarly, we do not admit the claim that resources provided by deficit financing should be made available free to interest to the States. Deficit financing goes to increase the resources of the Union as a whole and is not earmarked for specific purposes. It is reflected in the issue of treasury bills on which interest has to be paid to the Reserve Bank. It is true that the bulk of this interest returns to the Union as part of the surplus profits of the Bank. In making our estimates of the resources available from the Union for devolution to the States, we have taken this factor into account. Moreover, we are concerned only with loans given between 15th August 1947 and 31st March 1956 and during this period the amount of deficit financing was not significant.

155. Some States pointed out the difficulties caused by the system of equated payments of principal and interest. Though this system may be suitable when there is scope for the repayment of the principal from revenue, it seems to us meaningless now in the context of the maximum utilisation of revenue for current development expenditure and the steady increase in the outstanding debt of the States to the Union.

XV. Distribution of Additional Duties of Excise

165. In this Section and the next we deal with the references made to us on 22nd May 1957 in the Finance Ministry's letter reproduced in the opening paragraph of this Report. In respect of the additional duties of excise, we have to make recommendations as to the principles which should govern the distribution of the net proceeds among the States and the amounts which should be assured to them as the income now derived from the levy of sales taxes on mill-made textiles, sugar and tobacco (including manufactured tobacco). On receipt of the reference, we wrote to the State Governments inviting their views and asking for information regarding the rates of sales taxes on the commodities in question, the yield on the basis of these rates, the value of the annual consumption in the States of each of these commodities and other relevant matters. A copy of the communication addressed to the States is reproduced in Appendix I.

166. After the receipt of their replies, we held discussions in New Delhi with their representatives from 22nd July to 1st August 1957. The views of the States regarding the principles of distribution varied widely. Many of them proposed formulæ analogous to those suggested by them for the distribution of income tax and excise duties.

167. We first considered whether in determining the present income and formulating the principles of distribution of the additional excise duties, we should take all the three commodities together or give separate figures for each. Our term of reference gave us no guidance in this respect. If it were merely a question of devolution of revenue from the Union to the States, we would have taken the responsibility of making a positive recommendation; but as this matter is one of agreement between the Union and the States, we refrain from doing so. We are, therefore, making recommendations for the three commodities separately and for all of them together, both in regard to the sums to be guaranteed and the distribution of the net proceeds.

168. Turning to the determination of the amount of the "present income" assured to the States, it was urged that this expression should be given a liberal interpretation so as to include prospective revenues likely to result from increase of rates for which legislation had been passed or was likely to be passed in the near future. It was further claimed that the prospective yield in a full year of the

1977, be consolidated into one single loan at 3 per cent per annum repayable on 31st March 1972;

(iii) the balances of all loans carrying interest at less than 3 per cent per annum and repayable on or after 1st April 1977, be consolidated into one single loan at 2½ per cent per annum repayable on 31st March 1987; and

(iv) the balances of all loans carrying interest at less than 3 per cent per annum and repayable on or before 31st March 1977, be consolidated into one single loan at 2½ per cent per annum repayable on 31st March 1972.

161. We expect that the scheme of consolidation recommended above will result in a reduction in interest charges of about Rs. 5 crores per annum for all the States together.

162. As a result of this consolidation, besides the rehabilitation and interest-free loans, there will be only four loans due from each State to the Union in respect of the loans taken during the period 15th August 1947 to 31st March 1956. We feel that the implementation of this scheme will bring about a great deal of order and simplicity in this field.

163. In our plan of consolidation, we have included the loans given to the States from the Special Development Fund. We understand that, in respect of some of these loans, there is an obligation to make the amounts repaid available as a revolving fund for further lending. We do not think that this would justify the exclusion of these loans from our scheme. The Government of India will, no doubt, consider whether the amounts which are now creditable to this fund on repayment of the loans should be provided from their own resources.

164. Our recommendations apply only to the loans given between 15th August 1947 and 31st March 1956. We suggest, however, that the basic feature of our scheme may be considered for adoption for future years also. This will mean that each State will get only two loans a year, *i.e.*, one medium-term and one long-term, at a rate of interest approximating to the net cost of all Union borrowings in that year. In that case, we would suggest that no regular loans, but only ways and means advances, be sanctioned in the course of a financial year, the amount being regulated with reference to the purpose for which the loans are to be given. After the close of the year, the total of such advances may be converted into two loans, a medium-term loan and a long-term loan, carrying interest at the rate calculated as suggested earlier in this Section.

ments. It may be mentioned that sales tax being generally a turnover tax, most States were not in a position to supply accurate figures either of collection or of consumption. We felt that, as there was a considerable margin of error in the figures of consumption thus arrived at, it would be wrong to distribute the additional duties solely on the basis of these figures. We have, therefore, used population as a corrective in arriving at the basis of distribution recommended by us.

171. While some States supplied figures of collections, others were not able to do so as they had no separate figures and gave us only estimates. We checked them in the light of the consumption figures which we had computed in the manner explained in the previous paragraph, and we believe that, on the whole, the figures of present income finally arrived at by us represent for each State the nearest possible approximation to their income from sales taxes on these three commodities during the financial year 1956-57.

172. The net proceeds may be distributed in one of two ways. The guaranteed amounts of present income may be made the first charge on the revenue from these additional duties, the balance being distributed among all the States. Or, the net proceeds of these duties may be distributed independently of the guaranteed amounts, the Union making up the deficiency, if any, that may arise in the case of any State. We have come to the conclusion that the former method is preferable as it ensures for every State its guaranteed amount plus some portion of any balance that may remain of the additional duties. Otherwise, it may happen that while some States do not get from the distribution even the guaranteed amounts, others may receive sums in excess of the guarantee; in the former contingency, the Union will have to make good the deficiency. While it may be reasonable to expect that the proceeds of the additional excise duties will be greater than the total of the guaranteed amounts, we do not see any justification for placing upon the Central revenues any burden arising out of implementation of the guarantees. We have, therefore, decided that, out of the net proceeds of the additional duties, the guaranteed amounts should first be paid to the States and the balance be then distributed among them.

173. Before 1st April 1957, the State of Jammu and Kashmir had no sales tax. There is, therefore, no question of determining its "present income". Nevertheless, the incidence of the additional duties will fall as much on the people of this State as on the people of other States and we think it is entitled to its share.

Centrally levied inter-state sales tax, which came into force on 1st July 1957, should be taken into account in the determination of the present income. Some States even claimed that allowance should be made for the loss suffered by tax evasion and for the amounts that might become available to them through improvement in the machinery of collection.

169. We have examined these claims. It is not possible to discriminate between the States which have enforced increased rates from 1st April 1957, those which have decided to increase their rates but have not enforced them and the rest who may increase their rates in future. As regards inter-state sales tax, it came into operation only on 1st July 1957. The Central Sales Tax Act specifically provides that the rate of tax on inter-state sales cannot exceed that on intra-state sales, so that, for any inter-state tax to accrue, there should be an intra-state tax. As the intra-state tax on mill-made textiles, sugar and tobacco (including manufactured tobacco) is proposed to be surrendered by the States, there can be no inter-state sales tax on them and we think that in agreeing to surrender the sales tax on these commodities, the States should be deemed to have renounced their income from inter-state sales tax also. For these reasons, we were unable to accept the claims for a wider interpretation of the expression "present income". We decided that "present income" for any State should be the income which accrued to that State in the financial year 1956-57 from the levy of sales taxes and made this clear to all the States' representatives.

170. As the additional duties are to replace the sales taxes which are taxes on consumption, we explored the possibility of taking consumption as a basis for distribution. The National Development Council is also reported to have contemplated consumption as the basis. Therefore, we made an attempt to estimate the state-wise consumption of these three commodities. The data available to us were the consumption figures of mill-made cotton textiles, sugar and certain forms of tobacco contained in the report of the fourth round of the National Sample Survey (April—September 1952), the estimates prepared by the Textile Commissioner, the statistics of the clearance or off-take of sugar prepared by the Sugar and Vanaspathi Directorate and the statistics of consumption of tobacco contained in the Report on the Marketing of Tobacco of the Agricultural Marketing Directorate, prepared on the basis of surveys and enquiries undertaken in 1950-51. We have compared the estimates prepared on the basis of these data with those supplied by the State Govern-

ments. It may be mentioned that sales tax being generally a turnover tax, most States were not in a position to supply accurate figures either of collection or of consumption. We felt that, as there was a considerable margin of error in the figures of consumption thus arrived at, it would be wrong to distribute the additional duties solely on the basis of these figures. We have, therefore, used population as a corrective in arriving at the basis of distribution recommended by us.

171. While some States supplied figures of collections, others were not able to do so as they had no separate figures and gave us only estimates. We checked them in the light of the consumption figures which we had computed in the manner explained in the previous paragraph, and we believe that, on the whole, the figures of present income finally arrived at by us represent for each State the nearest possible approximation to their income from sales taxes on these three commodities during the financial year 1956-57.

172. The net proceeds may be distributed in one of two ways. The guaranteed amounts of present income may be made the first charge on the revenue from these additional duties, the balance being distributed among all the States. Or, the net proceeds of these duties may be distributed independently of the guaranteed amounts, the Union making up the deficiency, if any, that may arise in the case of any State. We have come to the conclusion that the former method is preferable as it ensures for every State its guaranteed amount plus some portion of any balance that may remain of the additional duties. Otherwise, it may happen that while some States do not get from the distribution even the guaranteed amounts, others may receive sums in excess of the guarantee; in the former contingency, the Union will have to make good the deficiency. While it may be reasonable to expect that the proceeds of the additional excise duties will be greater than the total of the guaranteed amounts, we do not see any justification for placing upon the Central revenues any burden arising out of implementation of the guarantees. We have, therefore, decided that, out of the net proceeds of the additional duties, the guaranteed amounts should first be paid to the States and the balance be then distributed among them.

173. Before 1st April 1957, the State of Jammu and Kashmir had no sales tax. There is, therefore, no question of determining its "present income". Nevertheless, the incidence of the additional duties will fall as much on the people of this State as on the people of other States and we think it is entitled to its share.

174. The additional duties of excise will replace sales taxes in Union territories also. We have, therefore, provided for an appropriate share of the net proceeds being retained by the Union; the question of any guarantee to itself in respect of its "present income' from sales taxes does not arise.

175. We recommend that—

(1) in respect of Union territories, 1 per cent of the net proceeds in any financial year of the additional duty of excise on each of the three commodities, namely, mill-made textiles, sugar and tobacco (including manufactured tobacco) be retained by the Union;

(2) a sum equal to one and one quarter per cent of such net proceeds be paid to the State of Jammu and Kashmir;

(3) out of the balance of the net proceeds, *i.e.*, after deduction of the sums mentioned in sub-paragraphs (1) and (2), the following sums, being the "present income" of the States on account of sales taxes, by whatever name called, be paid to them:

(Rupees in lakhs)

State	Mill-made textiles	Sugar	Tobacco
Andhra Pradesh	120	40	75
Assam .	40	15	30
Bihar .	80	30	20
Bombay .	600	245	115
Kerala .	38	20	37
Madhya Pradesh	83	40	32
Madras .	168	60	57
Mysore .	48	25	27
Orissa .	50	20	15
Punjab .	95	50	30
Rajasthan .	50	25	15
Uttar Pradesh	400	112	63
West Bengal	204	36	40
	1976	718	556

(4) the remainder, if any, of the net proceeds be distributed in the percentage ratios applicable to each commodity as set out in the table below:—

State	Percentages		
	Mill-made textiles	Sugar	Tobacco
Andhra Pradesh	7·38	6·65	10·47
Assam	2·72	2·55	2·98
Bihar	11·19	8·20	8·90
Bombay	16·46	20·17	17·41
Kerala	3·10	3·03	3·43
Madhya Pradesh	6·97	7·67	7·10
Madras	7·26	7·43	9·53
Mysore	4·98	5·13	5·58
Orissa	3·32	2.87	3·21
Punjab	5·56	7·21	4·36
Rajasthan	4·36	4·81	3·59
Uttar Pradesh	18·19	15·63	16·13
West Bengal	8·51	8·65	7·31

176. If, for the purposes of the guarantees and the distribution of the net proceeds, the additional duties are to be taken together, we recommend that in lieu of the sums and percentages mentioned in sub-paragraphs (3) and (4) of paragraph 175 above, the sums guaranteed and payable to, and the percentage shares of, the States be as follows:

State	Sum to be guaranteed (Rupees in lakhs)	Percentage
Andhra Pradesh	235	7·81
Assam	85	2·73
Bihar	130	10·04
Bombay	960	17·52
Kerala	95	3·15
Madhya Pradesh	155	7·16
Madras	285	7·74
Mysore	100	5·13
Orissa	85	3·20
Punjab	175	5·71
Rajasthan	90	4·32
Uttar Pradesh	575	17·18
West Bengal	280	8·31
TOTAL	3250	

XVI. Distribution of Tax on Railway Fares

177. We now turn to a consideration of the principles of distribution of the net proceeds of the tax under the Railway Passenger Fares Act 1957, which is the second of the additional references made to us.

178. Andhra Pradesh, Kerala, Mysore, Rajasthan and Uttar Pradesh considered population to be an equitable basis. Punjab and Jammu and Kashmir suggested that needs of the States should be taken into account in addition to population. Jammu and Kashmir asked also for a special grant out of the tax for the development of its tourist industry. Assam, Madhya Pradesh and Orissa desired distribution partly on the basis of population and partly on the basis of area. Orissa further wanted the population to be weighted for scheduled tribes, scheduled castes and backward classes. While Bombay suggested distribution according to earnings from passenger fares, excluding season tickets, of stations located in a State, West Bengal wanted the tax to be distributed on the basis of collections of railway stations in each State. Madras suggested that both collection and population be taken into account. Bihar asked for distribution on the basis of railway mileage in each State.

179. Although article 269 does not rule out any principle of distribution, we think that for this tax the principle should be such as to secure for each State, as nearly as possible, the share of the net proceeds on account of the actual passenger travel on railways within its limits. The ideal method would, perhaps, be to split up the tax collected on each ticket according to the mileage of the routes lying in each State. This, however, is impracticable. Collections of passenger fares within a State will not reflect correctly the actual passenger travel within its limits on account of inter-state traffic; distribution based on figures of such collections would also be unfair to the States through which traffic passes without originating or terminating in them. The net proceeds due to passenger travel in a State may, however, be determined with reasonable accuracy by allocating the passenger earnings among the States on the basis of the route mileage within each State, with due allowance for the wide variations in the density of traffic between the various railway zones and as between the various gauges in each zone. Hence, if the earnings of each zonal railway are allocated by route mileage located in each State separately for each gauge, this would

give, as nearly as possible, an allocation of passenger travel in terms of passenger earnings. The distribution of the tax in the ratio of the earnings thus allocated will give to each State a share that will approximate closely to the actual passenger travel in it.

180. We have next to decide whether the distribution each year should be made on the allocation of the earnings of that year. We feel that this will be a cumbrous and inconvenient arrangement. It is desirable that the States should know in advance the shares of revenue they are entitled to get. It is reasonable to work out the States' shares on the basis of the average of recent earnings and express these shares as fixed percentages applicable for five years from 1957-58. In order to even out fluctuations, we have taken the figures of passenger earnings (exclusive of earnings of suburban services) for the last three years (ending March 1956), for which actuals are available and have worked out the shares of the States on the basis explained above. These come to:

State	Percentage
Andhra Pradesh	8·86
Assam	2·71
Bihar	9·39
Bombay	16·28
Kerala	1·81
Madhya Pradesh	8·31
Madras	6·46
Mysore	4·45
Orissa	1·78
Punjab	8·11
Rajasthan	6·77
Uttar Pradesh	18·76
West Bengal	6·31

181. We recommend that the net proceeds of the tax be distributed in accordance with these percentages after deducting one quarter per cent for proceeds attributable to Union territories.

182. While this recommendation may hold good for the period of five years ending 31st March 1962, we suggest that steps be taken to investigate if the railways could not, without undue labour or expense, maintain state-wise statistics of route mileage, traffic and earnings to facilitate the consideration of alternative methods of distribution.

XVII. Miscellaneous

183. It now remains for us to deal with certain other matters of interest which arose in the course of our work.

184. In our study of the expenditure in recent years of State Governments, we were struck by the dislocation caused to the finances of many of them by unforeseen expenditure on natural calamities like famine, droughts and floods and we were impressed with the need for making some regular provision to meet this type of expenditure. In our estimate of the committed expenditure of the States, we have included a margin for enabling them to set apart annually from their revenue sizeable sums to be accumulated in a fund for meeting expenditure on natural calamities. The annual amounts, based roughly on the average annual expenditure over the last decade, which we have allowed for the individual States, are:

State	Amount (Rupees in lakhs)
Andhra Pradesh	75
Assam	25
Bihar	100
Bombay	40
Kerala	10
Madhya Pradesh	15
Madras	50
Mysore	30
Orissa	50
Punjab	40
Rajasthan	40
Uttar Pradesh	50
West Bengal	80
Jammu and Kashmir	10
Total	615

We suggest that the State Governments be invited to set up separate funds and transfer these amounts every year to such funds. If any State has an existing fund, its scope should, where necessary, be widened to cover all natural calamities. The balances of the funds should be invested in readily marketable Government securities so that they may be available when needed, without the States having, except in very abnormal circumstances, to curtail their other expenditure or approach the Union for assistance. We trust that the State Governments will welcome this suggestion and take appropriate action to implement it.

185. In May 1957, the Government of India drew our attention to their scheme of assistance in connection with the revision of the salaries of the low-paid employees in State services, embodied in their communication to the State Governments dated the 20th February 1957, reproduced in Appendix XI. Under this scheme, the Centre offered to meet two-thirds of the extra expenditure necessary to bring the total emoluments to Rs. 60 per mensem and one-third of the extra expenditure on account of the increase in emoluments beyond Rs. 60 per mensem and upto Rs. 100 per mensem. The assistance was subject to the further conditions that in any individual case the amount of increase should not exceed Rs. 12 per mensem, and that the revision should not have the effect of increasing the State scales of pay beyond the corresponding Central scales in any case and should not apply to industrial or other establishments for which scales of pay are normally fixed at market rates. This offer was for a period of four years from 1st April 1957, but was subject to reconsideration in the light of our recommendations.

186. We considered whether we could make any provision in our scheme of devolution for the expenditure involved in this revision. The quantum of expenditure will depend both on the extent to which a State may take advantage of the scheme and on the time when the revision may be given effect to. There is no reason to assume that all the States will take full advantage of the scheme or enforce it from 1st April 1957. We are, therefore, unable to make any provision for this additional expenditure in our scheme of devolution except to the extent to which revisions of pay had already been sanctioned and brought into force in any State before 20th February 1957, the date of issue of the Central Government orders. Since the cost of such revisions has been included in our estimates of expenditure, the Central Government need not render any assistance in respect of them for any period after 1st April 1957. Regarding revisions sanctioned or brought into effect after the issue of the Central Government orders in February 1957, the States will not be in a position to meet their share of expenditure. It will be for the Central Government to decide the extent to which they should assist the States to meet the cost of such revisions.

187. Our attention was frequently drawn to the deterioration in the standards of maintenance of public works and services due to lack of funds. This was specially stressed in respect of roads. We realise that this is largely a matter for the State Governments who have to use their revenues to the best advantage. But we should

like to sound a note of warning. It is, in the long run, wasteful to allow public assets to deteriorate for want of proper maintenance. In the case of roads, this will be particularly unfortunate in the larger economic interest of the country. Proper communications are essential for economic development, of the country and roads, often built at considerable cost, should not be allowed to deteriorate by lowering the standards of maintenance. We earnestly hope that in utilising the additional funds that may now be made available, the State Governments will bear this in mind.

188. We noticed that in some States administrative reorganisation, such as reorganisation of the police, was being undertaken. While we do not wish to express any opinion on the necessity for such reorganisation, we should like to urge the need for caution. With practically all the available resources earmarked for the plan or for meeting committed expenditure, administrative reorganisation involving increase in non-development expenditure should not be undertaken unless it is inescapable. Even then, it should be phased over as long a period as possible.

189. In formulating the second five year plan and assessing the resources available for it, the existing revenues of the States and the proceeds of future taxation had been fully taken into account, leaving the States without any margin for further commitments. Many State Governments complained that, in spite of this, additional burdens were frequently placed upon them by Central policies. They mentioned, in this connection, two matters to which we would like to draw the attention of the Central Government.

190. The first relates to the system of matching grants. During the first five year plan period a number of schemes involving such grants were sanctioned and subsequently incorporated in the plan. A large number of such schemes have also been included in the second five year plan. The State Governments were unable to meet their share of the expenditure on these schemes as all their resources had already been committed for their inescapable expenditure for the implementation of the plan. Their difficulty was greater in the case of schemes outside the plan. In either case, they found it impracticable to reject the schemes on the ground of want of resources because of the understandable public criticism that they were not taking advantage of these schemes, desirable in themselves and having the added attraction of a Central subsidy. In the result, most of them accepted the schemes and ran into revenue deficits.

191. There is considerable force in this complaint. So far as the second five year plan is concerned, we have sought to meet it by taking into account in our scheme the requirements of the States for the plan as a whole including schemes involving matching grants, so that the States will have resources to meet their share of the expenditure. But we suggest that, for the future, no scheme outside the plan should be formulated on a matching basis. Except to a small marginal extent or when the scheme itself is related to the raising of a specific additional item of fresh revenue such as by the levy of a special tax or cess, there is, in our opinion, no room in present circumstances for matching grants. We think it unwise to encourage States to run into revenue deficits by accepting such schemes as all their revenue resources have, as already explained, been fully committed. Matching grants may be useful in ordinary circumstances as providing a stimulus to State action in particular spheres of activity, usually in the field of social services, in which the Centre desires to secure country-wide development in the national interest. They have no place when the country has an integrated and comprehensive plan which lays down priorities for the development of all social services. The system of matching grants on any basis uniform for all the States is also not equitable; it operates in favour of the richer and against the poorer States, as the former are in a more favourable position to take advantage of such grants. In the present Union-State set-up, the States depend for a substantial portion of their revenue on shares of Central taxes and on grants-in-aid. When the States have taxed themselves to a reasonable extent, the balance of the revenue to enable the States to meet their expenditure has to come from Central devolution. There is no method by which the States' share of the expenditure on schemes based on matching grants could be set off against revenue derived from their own sources, as distinguished from the revenue they receive from the Union by way of shared taxes and grants-in-aid. When the revenue budget is balanced by Central devolution, the States' share may come out of such devolution. If this happens, the whole purpose of matching is lost. For these reasons, we feel that schemes involving matching grants are not suitable in present conditions.

192. The second matter mentioned by the States concerned the instructions issued from time to time by Central Ministries suggesting to State Governments the adoption of measures which resulted in the reduction of their revenues such as the reduction of sales taxes

on particular commodities or in their incurring additional expenditure such as on the consolidation of holdings. Except when the amounts involved were inconsiderable, these placed a further strain on the States' resources and often led to their running into deficits. There is force in this complaint also.

193. Some State Governments complained that plan schemes involving Central assistance and included after discussion between them and the Planning Commission were again subjected to detailed examination by the Planning Commission and Ministries of the Government of India after they had been elaborated and scrutinised at the State level and that this frequently resulted in delays in their execution. We suggest that this matter be looked into by the Union Government in consultation with the Planning Commission. It is worth considering whether once a scheme has been accepted in broad detail and provision made for it in the plan, further scrutiny and sanction should not be left to the State Governments, subject to a financial ceiling for each scheme.

194. We experienced some difficulty in our study of the revenue and expenditure of the State Governments arising out of the existing accounting arrangements. In certain matters, the accounting procedure in the States is not uniform. For example, the procedure for the accounting of payments of compensation to local bodies varies from State to State. Similarly, there is no uniformity in the exhibition of transactions relating to industries. In certain States, receipts are taken gross and in others net, *i.e.*, after deduction of working expenses and depreciation. In some States, transactions connected with the purchase and sale of fertilisers are shown under the head "Agriculture" and in others under the head "Co-operation". In many States, plan expenditure is inextricably inter-mixed with normal expenditure so that it is not easy to derive the latter from the accounts. It is desirable to have one uniform accounting procedure for all the States and to exhibit the plan expenditure separately. We suggest that this matter may be examined in consultation with the Comptroller and Auditor General.

195. We were greatly handicapped in our work by the absence of reliable statistics, particularly those relating to consumption. The last Finance Commission had recommended that steps should be taken to compile statistics of consumption of the more important commodities subject to Union excise but actually very little has been done in this direction. We understand that the Central Board of

Revenue, which is mainly concerned with the collection of revenue at the point of production, is not in a position to maintain statistics of consumption. If this is correct, we suggest that other arrangements be made through agencies like the National Sample Survey for the collection of these statistics. If the ordinary rounds of the National Sample Survey are not adequate, special enquiries may be instituted for this purpose, preferably with a sample design based on multiple stratification according to regional variations in consumption as well as variations between rural and urban areas. We also noticed that reliable figures of collection of sales taxes on individual commodities were not available in many States. We suggest that State Governments should be invited to take necessary steps to have this information collected in future. The importance of having reliable statistics of consumption and of collection of sales tax by commodities has now been underlined by the proposal to levy an additional excise duty on certain commodities in replacement of sales taxes on them. We trust that urgent attention will be paid to both these matters.

196. Our predecessors had recommended the establishment of a cell in the President's Secretariat to collect and maintain up to date data likely to be of use for future Commissions. We understand that this was tried and found unsuitable and that, following the recommendation of the Taxation Enquiry Commission, this cell has since been merged in the Finance Ministry. We, however, consider it essential that a nucleus staff with experience of the work of the Finance Commission should be retained within the Finance Ministry and made available to future Commissions. We also suggest that arrangements be made by the Finance Ministry for the necessary statistical and other research work likely to be of assistance to them.

197. Finally, we would like to draw attention to certain constitutional implications of the changing pattern of financial relations between the Union and the States. Among the shared taxes, income-tax is losing its dominant position. The amount of excise revenue given to the States by the first Finance Commission was about one-third of the amount devolved through share of income tax. According to our recommendations, the proportion will rise to nearly one-half and it seems inevitable that it will continue to rise still further. The change is even more striking in respect of grants. The grants given under article 282 are already greater than the grants-in-aid of revenues given under article 275 (1). According to our recommendations, the latter will amount to Rs. 190 crores as against Rs. 275

crores likely to be received by the States under article 282. With the levy of estate duty and tax on railway passenger fares, article 269 is emerging as an important source of revenue to the States. Earlier in Section III we have pointed out that the scope of the work of the Finance Commission in assessing the needs of the States has become restricted as a result of the setting up of the Planning Commission. For all these reasons, it is for consideration whether the time is not ripe for a review of the constitutional provisions dealing with the financial relations between the Union and the States.

XVIII. Recommendations

198. Our recommendations to the President are set out below:—

I. Under article 270 of the Constitution—

(a) the percentage of the net proceeds in any financial year of taxes on income other than agricultural income, except in so far as those proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, to be assigned to the States be 60 (sixty);

(b) the percentage of the net proceeds of taxes on income which shall be deemed to represent proceeds attributable to Union territories be 1 (one); and

(c) the percentage of the net proceeds assigned to the States be distributed among those States as follows:—

State	Percentage
Andhra Pradesh	8·12
Assam	2·44
Bihar	9·94
Bombay	15·97
Kerala	3·64
Madhya Pradesh	6·72
Madras	8·40
Mysore	5·14
Orissa	3·73
Punjab	4·24
Rajasthan	4·09
Uttar Pradesh	16·36
West Bengal	10·08
Jammu and Kashmir	1·13

II. Under article 272 of the Constitution, a sum equal to 25 (twenty-five) per cent of the net proceeds of the Union duties of excise on sugar, matches, tobacco (including manufactured tobacco), vegetable products, coffee, tea, paper and vegetable non-essential oils, be paid out of the Consolidated Fund of India to the States and distributed among them as follows:—

State	Percentage
Andhra Pradesh	9·38
Assam	3·46
Bihar	10·57
Bombay	12·17
Kerala	3·84
Madhya Pradesh	7·46
Madras	7·56
Mysore	6·52
Orissa	4·46
Punjab	4·59
Rajasthan	4·71
Uttar Pradesh	15·94
West Bengal	7·59
Jammu and Kashmir	1·75

III. Under article 273 of the Constitution, the following sums be prescribed as grants-in-aid of the revenues of the States of Assam, Bihar, Orissa and West Bengal, in lieu of assignment of any share of the net proceeds of the export duty on jute and jute products, in each of the three financial years beginning on 1st April 1957:—

	(Rupees in lakhs)
Assam	75·00
Bihar	72·31
Orissa	15·00
West Bengal	152·69

IV. Under the substantive portion of article 275(1) of the Constitution, in each of the five financial years beginning

on 1st April 1957, the sums shown in the table below be charged on the Consolidated Fund of India as grants-in-aid of the revenues of the States mentioned against them:

(Rupees in crores)

State	1957-58	1958-59	1959-60	1960-61	1961-62
Andhra Pradesh . .	4·00	4·00	4·00	4·00	4·00
Assam	3·75	3·75	3·75	4·50	4·50
Bihar	3·50	3·50	3·50	4·25	4·25
Kerala	1·75	1·75	1·75	1·75	1·75
Madhya Pradesh . . .	3·00	3·00	3·00	3·00	3·00
Mysore	6·00	6·00	6·00	6·00	6·00
Orissa	3·25	3·25	3·25	3·50	3·50
Punjab	2·25	2·25	2·25	2·25	2·25
Rajasthan	2·50	2·50	2·50	2.50	2·50
West Bengal . . .	3·25	3·25	3·25	4·75	4·75
Jammu and Kashmir .	3·00	3·00	3·00	3·00	3·00
Total .	36·25	36·25	36·25	39·50	39·50

V(A) With effect from 1st April 1957:

(1) out of the net proceeds in each financial year of estate duty in respect of property other than agricultural land, a sum equal to 1 (one) per cent be retained by the Union as proceeds attributable to Union territories;

(2) the balance of the net proceeds be apportioned between immovable property and other property in the ratio of the gross value of all such properties brought into assessment in that year;

(3) the sum thus apportioned to immovable property be distributed among the States in proportion to the gross value of the immovable property located in each State; and

(4) the sum apportioned to property other than immovable property be distributed among the States as follows:—

State	Percentage
Andhra Pradesh	8·76
Assam	2·53
Bihar	10·86
Bombay	13·52
Kerala	3·79
Madhya Pradesh	7·30
Madras	8·40
Mysore	5·43
Orissa	4·10
Punjab	4·52
Rajasthan	4·47
Uttar Pradesh	17·71
West Bengal	7·37
Jammu and Kashmir	1·24

(B) In respect of the period prior to 1st April 1957, the distribut on already made be legally ratified.

VI. In regard to the loans made by the Government of India to the States between 15th August 1947 and 31st March 1956—

(a) With effect from 1st April 1957, in respect of loans made to the States for the rehabilitation of displaced persons and relent by them, the States be allowed to pay to the Union only the amounts of principal and interest collected, including arrears, if any;

(b) no modification be made in the rate of interest or terms of repayment of interest-free loans; and

(c) of the remaining loans—

(i) the balances on 31st March 1957 of all loans carrying interest at three per cent or more per annum

and repayable on or after 1st April 1977, be consolidated into one single loan at 3 (three) per cent per annum repayable on 31st March 1987;

(ii) the balances on 31st March 1957 of all loans carrying interest at 3 (three) per cent or more per annum and repayable on or before 31st March 1977 be consolidated into one single loan at 3 (three) per cent per annum repayable on 31st March 1972;

(iii) the balances on 31st March 1957 of all loans carrying interest at less than three per cent per annum and repayable on or after 1st April 1977 be consolidated into one single loan at 2½ (two and a half) per cent per annum repayable on 31st March 1987; and

(iv) the balances on 31st March 1957 of all loans carrying interest at less than 3 (three) per cent per annum repayable on or before 31st March 1977 be consolidated into one single loan at 2½ (two and a half) per cent per annum repayable on 31st March 1972.

VII. Out of the net proceeds of the additional duties of excise levied in replacement of sales taxes on mill-made textiles, sugar and tobacco (including manufactured tobacco)—

(A) If each of the additional duties is to be distributed separately—

(1) a sum equal to 1 (one) per cent of the net proceeds of each additional duty be retained by the Union in respect of Union territories;

(2) a sum equal to 1¼ (one and one quarter) per cent of the net proceeds of each additional duty be paid to the State of Jammu and Kashmir; and

(3) a sum equal to the balance of the net proceeds of each additional duty, *i.e.*, after deduction of the sums mentioned in sub-paragraphs (1) and (2) above, be distributed as follows:—

(a) the sums mentioned below representing the present income of the States on account of sales

taxes, by whatever name called, on the three commodities be first paid to them.

(Rupees in lakhs)

State	Mill-made textiles	Sugar	Tobacco
Andhra Pradesh	120	40	75
Assam	40	15	30
Bihar	80	30	20
Bombay	600	245	115
Kerala	38	20	37
Madhya Pradesh	83	40	32
Madras	168	60	57
Mysore	48	25	27
Orissa	50	20	15
Punjab	95	50	30
Rajasthan	50	25	15
Uttar Pradesh	400	112	63
West Bengal	204	36	40
Total	1976	718	556

(b) The remaining sum, if any, be distributed as follows:—

State	Percentages		
	Mill-made textiles	Sugar	Tobacco
Andhra Pradesh	7·38	6·65	10·47
Assam	2·72	2·55	2·98
Bihar	11·19	8·20	8·90
Bombay	16·46	20·17	17·41
Kerala	3·10	3·03	3·43
Madhya Pradesh	6·97	7·67	7·10
Madras	7·26	7·43	9·53
Mysore	4·98	5·13	5·58
Orissa	3·32	2·87	3·21
Punjab	5·56	7·21	4·36
Rajasthan	4·36	4·81	3·59
Uttar Pradesh	18·19	15·63	16·13
West Bengal	8·51	8·65	7·31

(B) If the total net proceeds of the three additional duties taken together are to be distributed—

(i) A sum equal to 1 (one) per cent of the net proceeds be retained by the Union in respect of Union territories;

(ii) a sum equal to 1¼ (one and one-quarter) per cent of the net proceeds be paid to the State of Jammu and Kashmir; and

(iii) a sum equal to the balance of the net proceeds, *i.e.*, after deduction of the sums mentioned in sub-paragraphs (i) and (ii) above, be distributed as follows:—

(a) the sums mentioned below, representing the present income of the States on account of sales taxes, by whatever name called, on the three commodities, be first paid to them—

State	(Rupees in lakhs)
Andhra Pradesh	235
Assam	85
Bihar	130
Bombay	960
Kerala	95
Madhya Pradesh	155
Madras	285
Myosre	100
Orissa	85
Punjab	175
Rajasthan	90
Uttar Pradesh	575
West Bengal	280
Total	3250

(b) The remainder, if any, of the net proceeds be distributed as follows:

State	Percentage
Andhra Pradesh	7·81
Assam	2·73
Bihar	10·04
Bombay	17·52
Kerala	3·15
Madhya Pradesh	7·16
Madras	7·74
Mysore	5·13
Orissa	3·20
Punjab	5·71
Rajasthan	4·32
Uttar Pradesh	17·18
West Bengal	8·31

VIII. (a) Out of the net proceeds in each financial year of the tax on railway fares a sum equal to ¼ (one-quarter) per cent be retained by the Union as proceeds attributable to Union territories; and

(b) the balance of the net proceeds of the tax on railway fares be distributed among the States as follows:

State	Percentage
Andhra Pradesh	8·86
Assam	2·71
Bihar	9·39
Bombay	16·28
Kerala	1·81
Madhya Pradesh	8·31
Madras	6·46
Mysore	4·45
Orissa	1·78
Punjab	8·11
Rajasthan	6·77
Uttar Pradesh	18·76
West Bengal	6·31

XIX. Conclusion

199. The scheme of devolution recommended by us is an integrated scheme. It takes into account the needs of the States with due regard to the ability of the Union, with its immense responsibilities particularly for defence and national development, to transfer resources to the States. It maintains a balance between devolution by transfer of shares of taxes and devolution by fixed grants-in-aid. We would like to emphasize that any modification of individual recommendations will upset this balance.

200. We recommend that the decisions taken by the Government of India on this report be given effect to from 1st April 1957, and all payments made on the basis of the interim report submitted by us be readjusted against the final payments. This will be without prejudice to the settlement of past arrears, if any.

201. Our scheme provides for a devolution of about Rs. 140 crores a year against an average sum of Rs. 93 crores received by the States under the last Commission's recommendations in the five years ending 31st March 1957. The table below summarises what each State may expect to receive under our recommendations taken together in each of the five years beginning on 1st April 1957. The figures shown against shares of taxes are only estimates and indicate the order of the sums to be received; the actuals will vary from year to year.

(Rupees in crores)

State	Shares of taxes	Grant under article 273*	Grant under substantive portion of article 275(1)	Total
Andhra Pradesh	8·50	..	4·00	12·50
Assam	2·75	0·45	4·05	7·25
Bihar	10·00	0·43	3·80	14·23
Bombay	14·75	..	..	14·75
Kerala	3·75	..	1·75	5·50
Madhya Pradesh	7·00	..	3·00	10·00
Madras	8·25	..	..	8·25
Mysore	5·50	..	6·00	11.50
Orissa	4·00	0·09	3·35	7·44
Punjab	4·25	..	2·25	6·50
Rajasthan	4·25	..	2·50	6·75

(Rupees in crores)

State	Shares of taxes	Grant under article 273*	Grant under substantive portion of article 275(1)	Total
Uttar Pradesh	16·25	..	..	16·25
West Bengal	9·50	0·91	3·85	14·26
Jammu and Kashmir	1·25	..	3·00	4·25
	100·00	1·88*	37·55	139·43

*This is an average for five years of payments which will actually be made to the States in the three years ending 31st March 1960. Grants-in-aid under article 273 cease on the expiry of ten years from the commencement of the Constitution.

NOTE 1.—Assam will receive, in addition, a grant-in-aid of Rs. 40 lakhs under clause (*a*) of the second proviso to article 275(1).

NOTE 2.—Under Section 74 of the States Reorganisation Act, the States of Bombay, Kerala, Madras and Mysore are entitled to receive during the three years ending 31st March 1960 the sums by which a prescribed percentage of their share of divisible Central taxes may fall short of the average of the revenue gap grants guaranteed to the former Part B States of Saurashtra, Travancore-Cochin and Mysore, now merged in them. On the estimate of divisible Central taxes adopted by us, the sums due to Kerala and Madras will be marginal while Bombay and Mysore may receive sums of the order of Rs. 3½ crores and Rs. 1 crore respectively for all the three years.

202. The increased devolution just mentioned is not the only source of additional income for the States. During this period the States will receive their share of the new Centrally levied tax under article 269, namely, the tax on railway fares. These receipts, which do not form part of the revenue devolved by us, are likely to be of the order of Rs. 15 crores in a full year; a state-wise detailed analysis, on the basis of the distribution recommended by us, is given in the table below:

(Rupees in lakhs)

State	Share of tax on railway fares
Andhra Pradesh	131
Assam	40
Bihar	139
Bombay	241
Kerala	27
Madhya Pradesh	123
Madras	96

(Rupees in lakhs)

State	Share of tax on railway fares
Mysore	66
Orissa	26
Punjab	120
Rajasthan	100
Uttar Pradesh	278
West Bengal	94
Total	1481

203. We cannot over-emphasise the paramount importance of States balancing their revenue budgets. We have framed our scheme of devolution so as to enable them to do so. With a massive development plan under implementation, there is a grave risk of the budgetary deficits of the States endangering the country's economy by adding to the inflationary potential. Now that all expenditure creating permanent assets are being treated as capital outlay, deficits on current account covered by borrowing result in an unfair shifting by the present generation of its burden to future generations. Development expenditure should, therefore, be adjusted to the available resources and States should not run into a revenue deficit even for meeting such expenditure. We earnestly trust that they will bear this in mind in shaping their financial policies.

XX. ACKNOWLEDGEMENTS

204. During the earlier stages of our work, when the accommodation allotted to us was not ready, we held some of our meetings in the Committee rooms of Parliament or in the rooms of the Judges of the Supreme Court, by the courtesy of the Speaker and the Chief Justice. We are most grateful to them for their assistance.

205. In conclusion we should like to place on record our appreciation of the assistance given to us by our officers and staff. Our Secretary, Shri H. B. Bhar, brought to bear on his work expert knowledge of Government finances and accounting. Our Under Secretary, Shri R. Saran, had a detailed knowledge of budgetary procedure and practice which was of great value. Our Research organisation,

under the Chief of Research, Shri R. K. Seshadri, cheerfully met all the demands on it for statistical and other information, very often at short notice, and we had the benefit of Shri Seshadri's wide knowledge of economic problems and State Governments' finances and his experience of work with the States Reorganisation Commission. Shri K. Jayaram, Private Secretary to the Chairman, also assisted in the work of the Commission. Shri A. P. Puri, our Superintendent, the office staff under him and our personal staff did very good work. We are grateful to all of them.

K. SANTHANAM
Chairman.

UJJAL SINGH
Member.

L. S. MISRA
Member.

M. V. RANGACHARI
Member.

B. N. GANGULI
Member.

H. B. BHAR
Secretary.

NEW DELHI,
30th September 1957.

APPENDICES

सत्यमेव जयते

APPENDIX I

(*See* paragraph 2)

CORRESPONDENCE WITH UNION AND STATE GOVERNMENTS AND CIVIL ACCOUNTANTS GENERAL AND COMPTROLLERS, AND PRESS NOTE ISSUED BY THE COMMISSION.

(1) *Letter No. OSD-135-152/56, dated the 20th April 1956 from Shri M. V. Rangachari, Officer on Special Duty, Ministry of Finance, to the Finance Secretaries, all Part A and Part B States.*

As you know, a new Finance Commission is being constituted and will be taking office on the 1st June 1956. As on the last occasion we feel that it will be an advantage if, in anticipation of the formal constitution of the Commission, we gave you some idea of the data which the Commission are likely to require in connection with their work. I am writing this letter after informal consultation with the Chairman-designate and other Members of the Commission. It is not comprehensive and is only the first request for information. Further requests will follow as the Commission's work develops.

2. This letter deals primarily with three matters on which the Commission will, in any case, have to make recommendation to the President, *viz.*, the allocation of income tax and other divisible taxes, the amounts to be paid as grants-in-aid under article 273 of the Constitution, the determination of the States in need of assistance and the grants-in-aid to be paid to them under article 275. There may be other matters which the President may refer to the Commission. The State Governments will be addressed in due course for any material, which the Commission may require to deal with these specific issues, after they have received the formal reference from the President.

3. As regards the allocation and distribution of income tax, the Commission will take into account the considerations which have influenced past settlements. It is, therefore, not necessary in such representations as the State Governments may wish to make to go into the past history in any great detail. But it would assist the Commission if each State sends up a self-contained memorandum putting forward its case for the modification, if any, suggested in the present basis.

4. At present three excise duties, *viz.*, those on matches, tobacco and vegetable products, are divided between the Centre and the States. The Commission would welcome any comments the State Governments may have on the existing division and any suggestions in regard to the future allocation of these or other excise duties.

5. Grants-in-aid under article 273 of the Constitution concern only the States of Assam, Bihar, Orissa and West Bengal. The Governments of these States would, doubtless, indicate whether they consider any modification necessary in the amounts of the grants as they now stand prescribed and explain their case for the suggested change.

6. For determining the States in need of assistance and grants-in-aid to be paid to them under the substantive portion of article 275 (1), the Commission would require from all States a forecast year by year of the estimated revenue and expenditure for the five years ending 1961-62. This forecast may be prepared in the form appended to this letter. A number of notes indicating the basis on which the forecast should be prepared and further details which the Commission are likely to require have been given in this form for guidance.

7. The forecast mentioned in the previous paragraph may be prepared for the State as it is at present constituted. Some of these States will be affected by the impending reorganisation. These States should send a subsidiary statement showing the effect on the revenue and expenditure of the transfer of any area from that State to other States, separately for each area going into another State. Thus Bombay will have four subsidiary statements, Hyderabad three, Madhya Pradesh and Madras two each and Travancore-Cochin one. The adjustments between the States due to these transfers will be carried out in the Commission's office here. We shall also make adjustments for any Centrally adimnistered area and Part C State merging in the new States by reorganisation. For the purpose of these statements, it may be assumed that the reorganisation will take place on the lines proposed in the States Reorganisation Bill as introduced in Parliament. The figures may be subsequently readjusted in the light of such changes as Parliament may make in the Bill.

8. I shall be grateful if the memorandum and the statements asked for in this letter are sent to the Secretary to the Commission by the 1st of July 1956 with 7 spare copies.

9. If there is any point on which you require clarification or further instructions, would you kindly write to me?

Forecast of Revenue and Expenditure.

——————— State.

(Rupees in lakhs)

Heads	1956-57 Budget	1957-58	1958-59	1959-60	1960-61	1961-62
Revenue						
———						
———						
———						
———						
Total Revenue						
Expenditure met from Revenue.						
———						
———						
———						
———						
Total Expenditure						
Net Surplus						
Net Deficit						

NOTES

1. Figures should be given by major heads of account.

2. Any modification in the forecast as given to the Planning Commission should be indicated and explained briefly.

3. In the revenue estimates—

(*a*) the State's share of income tax and divisible excises and any grant received under article 273 or 275 of the Constitution should be shown as *nil*;

(*b*) full details should be given of any other grant from the Centre included in the estimate ; and

(*c*) any amount included for anticipated improvements in revenue or any allowance made for the abandonment of any existing source of State revenue or the reduction in the yield should be explained in detail in supplementary notes, indicating the amounts involved in each year.

4. A statement showing the recommendations of the Taxation Enquiry Commission which have been implemented, the resulting increase in revenue, and the estimated additional revenue if the remaining recommendations are implemented, should be attached.

5. In the expenditure estimates—

(*a*) no allowance should be made for fresh expenditure on development but estimates of such expenditure should be given in brackets below each major head for each year ;

(*b*) if they include any special item of expenditure, this should be indicated in explanatory notes ;

(*c*) provision should be included for recurring expenditure on completed schemes in the first five year plan, which would not form part of the provision for the second plan. A rough indication of this increased recurring expenditure included in the forecast may be given year by year ; and

(*d*) provision should be included for the normal growth of expenditure.

6. Provision for debt services should be confined to interest charges. It should not include any provision for repayment of amortisation or debt but should include provision for any obligatory sinking fund in respect of public loans. The amounts so included in each year should be separately indicated.

7. A subsidiary statement should be attached showing the revenue and expenditure of any area, which would be transferred from the existing State to a new State in accordance with the provisions of the States Reorganisation Bill.

8. A statement should be appended showing year by year the total expenditure on famine and famine relief in the last ten years and the amount of assistance received from the Centre by way of supply of foodgrains at concessional prices.

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(2) *Letter No. OSD.*153-157/56, *dated the* 20*th April* 1956 *from* ***Shri*** *M. V. Rangachari, Officer on Special Duty, Ministry of* ***Finance,*** *to the Chief Commissioners of Ajmer, Bhopal, Coorg and* ***Kutch*** *and the Finance Secretary, Vindhya Pradesh.*

I enclose a copy of a letter addressed to the Finance Secretaries of all Part A and Part B States asking for certain material to be furnished in connection with the work of the Finance Commission. I shall be grateful if in respect of your State you would also furnish

information on the lines asked for in that letter subject to such modifications as may be necessary arising out of the present position of your State as a Part C State.

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(3) *Note dated the 30th April 1956 from Shri M. V. Rangachari, Officer on Special Duty, to the Government of India, Ministry of Finance (Budget Division).*

Will the Budget Division kindly arrange to collect the following material for the information and use of the Finance Commission?

(a) A forecast of the revenue and expenditure of the Central Government by major heads of account for the next five years in the form attached.

(b) A statement showing for each of the five years ending 1955-56 the grants made to the States from revenue with brief notes regarding the basis on which the grant was calculated and the purpose of the grant. (For purposes of this statement the payment of the States' share of income tax and Union excises should not be treated as a grant.)

(c) A statement showing the capital grants (but not loans), if any, made to the States in the last five years and provided for in the budget for the current year with explanations as in (b) above.

2. Seven copies of the material assembled may be kept ready for transmission to the Commission by the end of June 1956.

Forecast of Revenue and Expenditure

(Rupees in lakhs)

Head	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Revenue						
_____						
_____						
_____						
_____						
Total Revenue						

Forecast of Revenue and Expenditure—concld.

(Rupees in lakhs)

Head	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Expenditure met from Revenue.						
Total Expenditure						
Net Surplus						
Net Deficit						

NOTES

Figures should be given by major heads of account.

In the section dealing with revenue, no deduction should be made on account of the States' share of income tax or estate duty but a separate statement should be furnished giving an estimate for each year of the divisible pool of income tax and the total of the distributable amount of estate duty.

A statement giving a breakdown by articles of the provision made under Union excise duties must be attached.

Brief explanations should be given of any large variations in the revenue estimates from year to year.

In the expenditure estimates details of the provision included in each year for grants to States should be given.

The share of divisible excises payable to the States and included in the expenditure estimates should be given separately.

As on the revenue side variations in the estimates of expenditure from year to year should be briefly explained.

Both the revenue and expenditure estimates should be on the existing level of taxation and the present scale of normal expenditure. No provision should be included for fresh development expenditure but an indication should be given in a separate statement of the magnitude of the expenditure in each of these five years.

If the estimates of expenditure in any year include special items, this should be indicated in suitable explanatory notes.

A statement should be added showing the recommendations of the Taxation Enquiry Commission which have been implemented and the total annual yield from such taxes included in the revenue estimates. An indication should also be given of the annual increase in revenue that may be expected if the remaining recommendations are implemented.

(4) *Demi-official letter No. OSD-171/56, dated 30th April 1956 from Shri M. V. Rangachari, Officer on Special Duty, Ministry of Finance, to all Civil Accountants General and Comptrollers.*

We are engaged in the collection of preliminary data for the use of the Finance Commission which, as you may have seen in the papers, will be formally constituted on 1st June 1956. The pattern of borrowing by the States from the Centre in recent years is one likely to interest the Commission and they would want information about the rate of interest and the terms of repayment of the loans taken from the Centre by the various States between 15th August 1947 and 31st March 1956. I shall be grateful if you would kindly have a statement prepared separately for each year in the form enclosed with this letter in respect of loans taken from the Centre by the State Government whose accounts are kept by you. These statements may be compiled and sent so as to reach us by 30th June 1956 at the latest

2. If there is any point on which you require further clarification, will you kindly drop me a line?

Loans from the Central Government taken between 15th August 1947 and 31st March 1956.

State of — ——

(Rupees in lakhs)

Purpose of Loan	Amount sanctioned	Rate of Interest	Date and terms of repayment	Balance on 31st March 1956	Remarks

NOTES

1. A separate statement should be prepared for each year.

2. The purpose of the loan should be briefly stated such as "for Bhakra Nangal", "for Tungabhadra", "for rehabilitation of displaced persons", "for Grow More Food", etc.

(5) *Letter No. P-70-V (Confidential), dated the 2nd May 1956 from Shri R. C. Joshi, Deputy Secretary to the Government of Bombay, Finance Department, to the Officer on Special Duty, Ministry of Finance.*

In its letter No. OSD.135/56, dated 20th April, 1956, the Finance Commission has called for a forecast, year by year, of the estimated revenue and expenditure for the 5 years ending 1961-62 for the Bombay State as constituted at present and also separately for each of the four areas into which it is proposed to be split up.

The reorganisation of the State will not only affect the existing boundaries of the States but will also affect the pattern of revenue and expenditure in the four areas of the present Bombay State due to their integration with the neighbouring States. At present, there is no clear idea of what the administrative set-up in the new States will be or how the present plan will be divided between the different areas. It is difficult to split up the forecast regionwise even on the assumption that the present set up will continue since the accounts are not maintained according to districts.

In the circumstances, I am to request for further clarification as to how the forecast in respect of the four regions into which this State is proposed to be split up can be worked out.

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(6) *Letter No. P-709/X-FC-1/56-57, dated the 7th May 1956 from Shri B. B. Lal, I.C.S., Finance Secretary to the Government of Uttar Pradesh, to the Officer on Special Duty, Ministry of Finance.*

I am directed to acknowledge receipt of your letter No. OSD-137/56, dated April 20, 1956 asking for certain preliminary information for the use of the newly constituted Finance Commission and to seek clarification on the following points:—

(a) Note 2 in the form enclosed with your letter suggests that if the forecast now to be given varies from that given to the Planning Commission the variation should be explained. It is not understood how this can be done since the forecast intimated to the Commission was in respect of the years 1956—61 while that required now would be for 1957—62. Also the forecast given to the Commission

was not on a year to year basis but in two blocks one showing the aggregate estimates for the first two years and the other for the next three years.

(b) The implication of the word 'Development' occurring in note 5(a) *ibid* is not clear. Will all Second Plan expenditure be treated as fresh development expenditure and shown in brackets separately? If not, what precisely will be the categories of expenditure which is to be regarded as 'fresh expenditure on development'?

(c) As regards debt services, it is presumed that interest payable on public loans raised during the period of the forecast and provision for obligatory sinking funds for such loans will also be taken into account. The forecast of public loans given to the Planning Commission for the Second Plan period will form the basis for this purpose. The amount of loans from the Centre, however, which may be received from 1956-57, is a wholly undecided and unknown factor and will depend on the size of the capital outlay during the period of the forecast (1957-62) which may be left uncovered by public loans. Interest charges on these Central loans will inevitably have to be included in the forecast.

2. I am to request that the points mentioned above may kindly be considered and clarified as early as possible.

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(7) *Letter No. OSD/188/56, dated the 15th May 1956 from Shri M. V. Rangachari, Officer on Special Duty, Ministry of Finance, to the Finance Secretary to the Government of Bombay, (copy with a copy of the letter replied to forwarded to the Finance Secretaries of Madhya Pradesh, Hyderabad, Madras and Travancore-Cochin).*

I am directed to refer to Shri Joshi's confidential letter No. P-70-V (Confidential), dated the 2nd May 1956 and to state that for purposes of the Commission it would suffice if any forecast prepared by the State Government for the States Reorganisation Commission on the existing pattern of taxation and administration for the various areas, which are being transferred to other States or constituted into new States, is supplied to them. If no such forecast was prepared but past actuals for these areas were collected in consultation with the Accountant General, these actuals may be supplied.

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(8) *Letter No. OSD-189/56, dated the 15th May 1956 from Shri M. V. Rangachari, Officer on Special Duty, Ministry of Finance, to the Finance Secretary to the Government of Uttar Pradesh, (copy with a copy of the letter replied to forwarded to the Finance Secretaries of all other Part A and Part B States).*

I am directed to refer to your letter No. P-709/X-FC-1/56-57, dated the 7th May 1956 and to state that the replies to the points raised by you are as follows:—

(a) In view of the disparity pointed out by you it will be sufficient if any variation between the total figures of revenue and expenditure for the years 1958-59 to 1960-61 inclusive in the forecast prepared for the Commission and the figures given for the corresponding years to the Planning Commission are indicated and explained.

(b) For purposes of the forecast, all expenditure on the second plan to be met from the Revenue Budget may be treated as fresh expenditure on development.

(c) Interest payable on public loans to be raised during the period of the forecast may also be taken into account. The total amount of the estimated borrowings and the amount included in each year for the servicing of the new borrowings should be explained in a separate note. Unless it is the policy of the Government to have an obligatory sinking fund for all the public loans, no provision need be included for such sinking funds. Similarly, any provision made for borrowing from the Centre and payment of interest thereon may be included and explained.

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(9) *Letter No. FC.1-B/56, dated 7th June 1956 from Shri H. B. Bhar, Secretary, Finance Commission, to the Finance Secretaries of all Part A and Part B States.*

Will you kindly refer to our letter No. OSD-135-152/56, dated 20th April 1956 in regard to the material required for the Finance Commission?

2. As you may have seen from the paper, the President has made a formal order constituting the Commission and containing the terms of reference to them. I enclose a copy of the order for the information of the State Government.

3. With reference to the two terms of reference not covered by the data asked for in our letter dated 20th April 1956, namely, the distribution of the net proceeds of the estate duty on property other than agricultural land, and the review of the terms of the loans taken by the State Government from the Centre between 15th August 1947 and 31st March 1956, I shall be glad if you kindly send self-contained memoranda setting out the views of the State Government on these matters.

4. At their meeting earlier this week, the Commission considered the subsidiary points on which information should be obtained from the State Governments. I enclose a statement of these points and I shall be glad if you kindly arrange to send a memorandum on each of them separately for submission to the Commission. In compiling this memorandum the figures of receipts or expenditure pertaining to the years 1955-56 and 1956-57 may be based on the revised and budget estimates respectively of these years. For States likely to be affected by the impending reorganisation, separate figures may be given wherever possible in subsidiary statements for the areas likely to be transferred from the State, as at present constituted, to another State, separately for each such area.

5. The additional memoranda asked for in paragraphs 3 and 4 above may be sent with ten copies so as to reach the Commission's office on or before 10th August 1956.

LIST OF SUBSIDIARY POINTS

1. Rates of the principal taxes (agricultural income tax, stamps, motor vehicles, entertainment tax, electricity duty, general sales tax and other taxes and duties) in 1951-52 and the changes therein from 1952-53 to 1956-57.

2. Basis and rates of land revenue asssessment (including surcharge, special rates, etc.,) in 1951-52, and changes during the period 1952-53 to 1956-57.

3. Excise revenue in 1951-52, the changes therein and the results of prohibition during 1952-53 to 1956-57, and the future plans of the State Governments in regard to prohibition.

4. Amount of food subsidies from State revenue during each of the five years from 1952-53 to 1956-57.

5. Receipts, payments and balances in the State Road Fund and the Famine Relief Fund, if any, for each of the year 1952-53 to 1956-57.

6. Expenditure from State revenue in each financial year from 15th August 1947 to 31st March 1957 on account of relief and rehabilitation of displaced persons.

7. Revenue (indicating separately grants from Government) of local bodies and expenditure incurred by them on roads, education, medical and health services in the last three years for which actuals are available.

8. Mileage of national highways and A, B and C class roads on 1st April 1948, 1st April 1952 and 1st April 1956.

9. Strength of establishment under Police (with separate figures for border police where such police is maintained separately), General Administration, Justice and Jails on 1st April 1948, 1st April 1952 and 1st April 1956.

10. Number of primary schools, pupils and teachers therein on 1st April 1948, 1st April 1952 and 1st April 1956.

11. Number of hospitals and dispensaries, total number of beds, nurses, doctors and midwives, rural and urban separately, on 1st April 1948, 1st April 1952 and 1st April 1956.

12. The nature of economy measures, if any, carried out by the State Government in the years 1952-53 to 1955-56 inclusive and their results.

13. Programme of agrarian reforms in the State, their effect on revenue and expenditure during 1954-55 as compared with 1947-48 and their probable effects during the period 1957-58 to 1961-62.

14. Financial results of the working of State commercial and industrial undertakings like road transport, electricity schemes, industries, etc., for which commercial accounts are maintained, during each of the years 1952-53 to 1956-57.

15. Grow More Food Schemes—1952-53 to 1956-57. Give for each year particulars of (i) gross expenditure, (ii) loans and (iii) grants received from the Centre. Also give estimated increase in food production over this period.

16. Position of taccavi and land improvement loans—advances, recoveries and remissions and write-offs during each of the five years

upto and inclusive of 1955-56 and total outstandings and overdue arrears at the end of each of these years.

17. Revisions of pay and allowances of State employees in each of the last five years and the consequent increase in expenditure.

18. Gross expenditure on Community Projects and National Extension Service schemes and the amount of grants-in-aid and loans separately from the Centre during each of the years 1952-53 to 1956-57.

19. Kilowatts of energy generated in 1948, 1952 and 1956 by (i) State undertakings (excluding purchases from the Damodar Valley Corporation in the case of West Bengal and Bihar) and (ii) private undertakings.

20. Gross expenditure on handloom, small scale industries, handicrafts, sericulture and khadi and village industries in each of the years from 1952-53 to 1956-57 and assistance from the Centre by way of (i) loans and (ii) grants.

21. Particulars of the amounts received from bodies like the Indian Council of Agricultural Research, Indian Cotton Committee, Indian Jute Committee, etc., during 1953-54, 1954-55 and 1955-56, the purposes for which they were received, the expenditure incurred against these grants and whether any matching expenditure was incurred from State revenues. If latter, figures of such expenditure may be given.

22. Particulars of the cesses levied by the State, their purposes, the total proceeds of each cess, the amounts, if any, thereof transferred to local bodies or spent directly by the State Government during 1953-54, 1954-55 and 1955-56.

23. New State enterprises established, or addition to and expansion of existing enterprises, during 1952-53 to 1956-57 and those proposed to be established during 1957-58 to 1961-62. (Only schemes costing Rs. 10 lakhs and over need be given).

24. Debt position of the State showing the total outstanding debt to the public and the Centre on 1st April 1952 and 1st April 1957 and the interest-yielding assets held against such debt (see for illustration the statement at pages 89 and 90 of the Explanatory Memorandum on the Central Budget for 1956-57).

(10) *Demi-official letter No. FC.1-B/56, dated the 29th June 1956 from Shri H. B. Bhar, Secretary to the Finance Commission, to the Finance Secretaries of all Part A and Part B States (except Bihar).*

Will you kindly refer to Shri Rangachari's letter No. OSD-135-152/56, dated the 20th April 1956, wherein the State Government was requested, *inter alia,* to submit an annual forecast of revenue and expenditure from 1956-57 to 1961-62? In the letters indicated in the margin suggestions for reclassification of certain expenditure from revenue to capital were made to the State Government. We understand that your State Government has accepted all or most of these suggestions and has also given effect to them in the budget estimates of the current year. I would be grateful if, while submitting the forecast of revenue and expenditure, an indication is given of the amounts for 1956-57, under the individual major heads of expenditure, which on account of the reclassifications have been transferred from revenue to capital. In case any or some of the suggestions contained in the three letters mentioned in the margin have not been given effect to in the budget estimates for 1956-57, the amounts under the different major heads of expenditure, which could be transferred from revenue to capital in 1956-57, if the suggested reclassification is adopted, may kindly be indicated.

1. D.O. No. 41/SF/55, dated 11th January, 1955 from Shri M. V. Rangachari, Secretary to the Government of India, Ministry of Finance.

2. D.O. No. 1 (104)-BII/55, dated 13th December 1955, from Shri H. M. Patel, Secretary to the Government of India, Ministry of Finance.

3. D.O. No. F. 1 (104)-BII/55, dated 13th October, 1955, from Shri H. M. Patel, Secretary to the Government of India, Ministry of Finance.

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(11) *Letter No. P-1056/X-FC-1/56-57, dated the 9th July 1956, from Shri B. B. Lal, I.C.S., Finance Secretary to the Government of Uttar Pradesh, to the Secretary, Finance Commission.*

I am directed to refer to Shri Rangachari's letter No. OSD-189/56, dated May 15, 1956, and to say that it would appear that even the differences between the figures given to the Planning Commission and those that may be given to the Finance Commission for the period 1958-61 would not be easy to explain. The forecast for the Planning Commission was prepared about two years ago, while the figures being collected for the Finance Commission have taken the budget estimates for 1956-57 as a starting point. This factor in itself is likely to be responsible for a difference in a majority of cases. Moreover, under several heads, the forecast suggested by the State Government

was subsequently revised by the Planning Commission on a total five year basis and the overall forecast thus worked out cannot possibly be broken up on a year to year basis except in a purely hypothetical manner. While, therefore, it may be useful to explain the important variations from year to year in the forecast for the Finance Commission itself, perhaps a comparison of the forecast prepared for the Planning Commission with that prepared for the Finance Commission for a few overlapping years may not be very helpful. In view of these considerations, I am to express the hope that the Finance Commission will not consider it necessary to ask for such variations for the years 1958-61 being explained.

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(12) *Note No. 13(2)-B/56, dated the 18th July 1956 from Shri H. B. Bhar, Secretary to the Finance Commission, to the Government of India, Ministry of Finance, Department of Economic Affairs and Department of Revenue (Central Board of Revenue).*

The Ministry of Finance (Department of Economic Affairs)/Central Board of Revenue are aware that the Finance Commission are required to recommend the principles which should govern the distribution of the net proceeds of the estate duty in respect of property other than agricultural land. In the distribution itself, the Government of India has a minor interest as it will get only the share pertaining to the Centrally administered areas. But the Government of India will have to deal with the practical problems involved in the implementation of any distribution scheme and it should be greatly interested in the administrative aspects of the question. The Commission would be grateful if the Ministry of Finance, (Department of Economc Affairs)/Central Board of Revenue will kindly state the principles which, in its opinion, may be adopted for this purpose.

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(13) *Letter No. FC.1(4)-B/56, dated the 25th July 1956 from Shri H. B. Bhar, Secretary to the Finance Commission, to the Finance Secretary to the Government of Uttar Pradesh. (Copy, with a copy of the letter replied to, forwarded to the Finance Secretaries of all the other Part A and Part B States, Ajmer, Bhopal, Coorg, Kutch and Vindhya Pradesh).*

I am to invite a reference to your letter No. P-1056/X-FC-1/56-57, dated 9th July 1956 and to state that if, on account of the time-lag between the preparation of the forecasts for the Planning Commission and for the Finance Commission, there is likely to be any fairly substantial differences between the two forecasts, this should be suitably explained to the Finance Commission. We realise that it may

not be possible to compare the annual forecasts for the Finance Commission with those submitted to the Planning Commission on account of the latter having altered the figures on a total five-year basis. In view of this, the provisions under the individual heads in the 1956-57 budget estimates should be deducted from the totals, of the five year period from 1956-57 to 1960-61, agreed to with the Planning Commission, and the balance amount should be compared with the totals, under these heads, of the amounts for the four years 1957-58, 1958-59, 1959-60 and 1960-61 appearing in the forecast for the Finance Commission. Variations between these two sets of figures should be suitably explained.

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(14) *Letter No. FC. 29 (1)-B/56, dated the 24th May 1957 from Shri H. B. Bhar, Secretary, Finance Commission, to the Finance Secretaries of all State Governments.*

I am directed to enclose, for the information of the State Government, a copy of a letter from the Government of India to the Finance Commission intimating two additional references which the President has been pleased to decide should be made to the Commission.

2. In regard to the first reference, namely, that dealing with the distribution of the additional duty of excise on textiles, tobacco and sugar, the Commission would like to have the following information:—

(a) The rate at which the taxes are now levied on these commodities in your State under the State's Sales Tax Act or other similar law.

(b) The sums realised by the State Government in each of the last three financial years from such taxes on each commodity and the basis on which the figures of revenue have been worked out.

(c) The consumption of each of the commodities in the State in the last three years and the basis on which this has been computed.

In furnishing information regarding collection and consumption for the States affected by reorganisation, the figures upto 31st October 1956 may be worked out for the former States and distributed on a population basis among the successor States.

(d) The total receipts from sales taxes including sales tax on motor spirit and tobacco tax, if any.

3. The Commission would like to have the suggestions of the State Government in regard to the principles of distribution of the net proceeds of this additional duty.

4. In regard to the second reference, namely, the principles of the distribution of the net proceeds of the proposed tax on Railway fares, the Commission would like to have the suggestions of the State Government.

5. It is requested that the material asked for in this letter may be sent to reach the Commission's office by the 30th of June 1957 at the latest.

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(15) *Letter No. FC. 28 (1)-B/56, dated the 24th May 1957 from Shri H. B. Bhar, Secretary, Finance Commission, to the Secretary, Railway Board.*

I am directed to state that the President has been pleased to requested the Finance Commission to make recommendations to him as to the principles which should govern the distribution, under article 269 of the Constitution, of the net proceeds of the tax on railway fares proposed to be levied by the Railway Passengers Fare Bill 1957. In this connection the Commission would like to have the following information:—

(1) the route mileage (separately for broad, metre and narrow gauges) of each zone and the distribution of such mileage among the present States covered by the zone;

(2) the passenger earnings gauge-wise for each railway zone in the three years ending 1956-57, and distributed by the existing States covered by the zone;

(3) the passenger earnings of the zone in those three years distributed, amongst the existing States, on the basis of the location of the originating stations in the States;

(4) the passenger miles in each zone distributed amongst the existing States for those three years.

The Commission would welcome any suggestions which the Railway Board might make for the distribution of the proceeds of the tax.

We would be grateful if the required material is sent to us as early as possible and preferably within a fortnight. The Commission would also like to meet an official of the Railway Ministry later on.

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(16) *Press Note dated 12th July 1956 issued by the Finance Commission.*

The Finance Commission have to make recommendations to the President on the following matters:—

(i) the distribution of the net proceeds of income tax between the Union and the States and the allocation of the States' share among the States;

(ii) the distribution of other divisible Central taxes like Union excise duties;

(iii) the amounts to be paid to the States of Assam, Bihar, Orissa and West Bengal in lieu of the assignment of any share of the export duty on jute and jute products;

(iv) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

(v) the States which are in need of assistance by way of grants-in-aid of revenues, and the sums to be paid to those States, having regard, among other considerations, to the requirements of the second five year plan and the efforts made by those States to raise additional revenue from the sources available to them;

(vi) the principles which should govern the distribution of the net proceeds of the estate duty in respect of property other than agricultural land;

(vii) the modifications, if any, in the rates of interest and the terms of repayment of the loans made to the various States by the Government of India between 15th August 1947 and 31st March 1956.

2. At present 55 per cent of the divisible net proceeds of income tax (other than corporation tax) is assigned to the States and distributed among them in the following percentage ratios:

State	Percentage
Andhra	5·49
Assam	2·25
Bihar	9·75
Bombay	17·50
Hyderabad	4·50
Madhya Bharat	1·75
Madhy Pradesh	5·25
Madras	9·56

State	Percentage
Mysore	2·45
Orissa	3·50
Pepsu	0·75
Punjab	3·25
Rajasthan	3·50
Saurashtra	1·00
Travancore-Cochin	2·50
Uttar Pradesh	15·75
West Bengal	11·25

The shares of the States have to be refixed as a result of the impending reorganisation and new percentages recommended for the reorganised States.

The share to be retained by the Centre also has to be determined.

The present allocation is broadly worked out on the basis of 80 per cent by population and 20 per cent by collection.

The basis of distribution of income tax has always been a matter of controversy. Various bases have been suggested for allocating income tax :

(i) collection of income tax in the various States;

(ii) amount of income tax realised in respect of income, wherever earned, of individuals resident in the different States;

(iii) collection of income tax in the various States adjusted with reference to the origin of the income;

(iv) relative population of each State;

(v) relative volume of industrial labour in each State;

(vi) needs of the different States according to various criteria; and

(vii) different combinations of the above factors.

3. Three Union duties of excise, namely, those on matches, tobacco and vegetable products, are now divisible between the Centre and the States, and 40 per cent of the net proceeds are distributed among the States on the basis of population. The quantum of the taxes to be transferred to the States, the excises to be continued or made divisible and the basis of distribution all fall to be considered by the Commission.

4. The first Finance Commission recommended that grants-in-aid of Rs. 75 lakhs each to Assam and Bihar, Rs. 15 lakhs to Orissa, and

Rs. 150 lakhs to West Bengal be paid each year in lieu of the assignment of a share of the export duty on jute. This Commission has to consider whether any change in the figures suggested by the first Commission and accepted by Government is necessary.

5. In chapter VII of their Report, the last Commission formulated certain principles to govern the payment of grants-in-aid to the States which they themselves had applied in making their recommendations. This Commission will re-examine these principles in the light of subsequent developments and changes in the practice in other countries, and indicate any changes necessary in them.

6. The Commission have to make recommendations regarding the States in need of assistance and the sums to be prescribed as grants-in-aid of the revenues of such States. At present Assam, Mysore, Orissa, Punjab, Saurashtra, Travancore-Cochin and West Bengal are in receipt of general grants-in-aid as a result of the recommendations of the last Commission. This Commission will re-examine the financial position of all the States and make recommendations to the President regarding the States in need of assistance and the sums to be prescribed as grants-in-aid of the revenues of such States. A large variety of considerations may enter into the determination of the needs of the States and these may differ from State to State. The Commission will also consider the nature of the grants-in-aid, such as whether they should be fixed or progressive, general or specific, conditional or unconditional.

In addition to the general grants-in-aid which some of them may be receiving, Bihar, Hyderabad, Madhya Bharat, Madhya Pradesh, Orissa, Patiala and East Punjab States Union, Punjab and Rajasthan are in receipt of special grants-in-aid for the expansion of primary education. The Commission will assess the results achieved by the specific grants given to these States.

7. The net proceeds of the estate duty on property other than agricultural land is now being provisionally distributed among the States in the same way as the States' share of the net proceeds of taxes on income other than the corporation tax. In other words, it is being distributed by the percentage ratios fixed for the States for income tax except that the Centre does not retain any portion of the receipts except those attributable to Part C States. A more permanent basis of distribution has to be formulated by law of Parliament. An important issue, in this connection, would be whether the duty should be distributed on the basis of percentage

ratios, whether arrived at on the basis of the percentage ratios prescribed for the distribution of income tax or otherwise, or the distribution should be on the basis of assessments, location of the property taxed, residence of assessee, etc.

8. Central loans have been given to the States for a variety of purposes ranging from the construction of big irrigation and multipurpose projects to the construction of minor irrigation works, grow-more-food schemes, famine works, rehabilitation of displaced persons etc. Some of them have also been given loans to cover budgetary deficits. The rates of interest and terms of repayment of these loans vary for different categories of loans. These will be reviewed and any changes necessary in the interests of sound finance indicated.

9. The Finance Commission would welcome the views of those who are interested in and have made a study of these questions. They would be glad if such views could be embodied in a self-contained memorandum and sent to the Secretary, Finance Commission, to reach him on or before 30th November 1956.

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APPENDIX II

(*See* paragraph 4)

THE FINANCE COMMISSION (MISCELLANEOUS PROVISIONS) ACT, 1951, AS AMENDED BY THE FINANCE COMMISSION (MISCELLANEOUS PROVISIONS) AMENDMENT ACT NO. XIII OF 1955.

AN ACT

to determine the qualifications requisite for appointment as members of the Finance Commission and the manner in which they shall be selected, and to prescribe their powers.

BE it enacted by Parliament as follows:—

1. *Short title.*—This Act may be called the Finance Commission (Miscellaneous Provisions) Act, 1951 (Act XXXIII of 1951).

2. *Definition.*—In this Act, "the Commission" means the Finance Commission constituted by the President pursuant to clause (1) of article 280 of the Constitution.

3. *Qualifications for appointment as, and the manner of selection of, members of the Commission.*—The Chairman of the Commission shall be selected from among persons who have had experience in public affairs, and the four other members shall be selected from among persons who

(a) are, or have been, or are qualified to be appointed as Judges of a High Court; or

(b) have special knowledge of the Finances and accounts of the Government;

(c) have had wide experience in financial matters and in administration; or

(d) have special knowledge of economics.

4. *Personal interest to disqualify members.*—Before appointing a person to be a member of the Commission, the President shall satisfy himself that that person will have no such financial or other interest as is likely to affect prejudicially his functions as a member of the Commission; and the President shall also satisfy himself from time to time with respect to every member of the Commission that he has

no such interest and any person who is, or whom the President proposes to appoint to be a member of the Commission shall, whenever required by the President so to do, furnish to him such information as the President considers necessary for the performance by him of his duties under this section.

5. *Disqualifications for being a member of the Commission.*—A person shall be disqualified for being appointed as, or for being a member of the Commission—

(a) if he is of unsound mind;

(b) if he is an undischarged insolvent;

(c) if he has been convicted of an offence involving moral turpitude; and

(d) if he has such financial or other interest as is likely to affect prejudicially his functions as a member of the Commission.

6. *Terms of office of members and eligibility for re-appointment.*—Every member of the Commission shall hold office for such period as may be provided for in the order of the President appointing him, but shall be eligible for re-appointment:

Provided that he may, by letter addressed to the President, resign his office.

7. *Conditions of service and salaries and allowances of members.*—The members of the Commission shall render whole time or part time service to the Commission as the President may in each case specify and there shall be paid to the members of the Commission such fees or salaries and such allowances as the Central Government may, by rules made in this behalf, determine.

8. *Procedure and powers of the Commission.*—(1) The Commission shall determine their procedure and in the performance of their functions shall have all the powers of a civil court under the Code of Civil Procedure, 1908 (Act V of 1908) while trying a suit in respect of the following matters, namely:—

(a) summoning and enforcing the attendance of witnesses;

(b) requiring the production of any document; and

(c) requisitioning any public record from any court or office.

(2) The Commission shall have power to require any person to furnish information on such points or matters as in the opinion of the Commission may be useful for, or relevant to, any matter under the

consideration of the Commission and any person so required shall, notwithstanding anything contained in sub-section (2) of section 54 of the Indian Income-tax Act, 1922, or in any other law for the time being in force be deemed to be legally bound to furnish such information within the meaning of section 176 of the Indian Penal Code.

(3) The Commission shall be deemed to be a civil court for the purposes of sections 480 and 482 of the Code of Criminal Procedure, 1898 (Act V of 1898).

Explanation.—For the purposes of enforcing the attendance of witnesses, the local limits of the Commission's jurisdiction shall be the limits of the territory of India.

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APPENDIX III

(*See* paragraph 5)

RULES OF PROCEDURE OF THE FINANCE COMMISSION.

1. Formal meetings of the Commission shall be held as and when necessary for hearing evidence or for meeting representatives of the Central and State Governments and other public bodies. The time and place of such meetings shall be fixed by the Chairman after ascertaining the convenience of the other members.

2. Internal meetings of the Commission shall be informal.

3. All meetings of the Commission shall be held in private session.

4. Meetings shall ordinarily be so arranged that all the members are present. But if for any unavoidable reason any member is unable to be present, a formal meeting may still be held if at least four members, including the Chairman, are present and an informal meeting if three members, including the Chairman, are present.

5. The Secretary of the Commission and such other officers, as the Chairman may, after consulting the members, direct shall be present at the meetings of the Commission.

6. No record shall be kept of the proceedings of the informal meetings of the Commission. But if any decision is taken at such a meeting, a record of the decisions shall be prepared by the Secretary and circulated to the members of the Commission after approval by the Chairman.

7. No verbatim record of the proceedings of the formal meetings of the Commission shall ordinarily be kept, but the Commission may direct that such a record be kept of the proceedings of any particular meeting or meetings. When no verbatim record is kept a summary of the proceedings of the meeting shall be prepared by the Secretary as soon as possible and, after verification as provided in the succeeding rule, it shall be circulated to the members of the Commission including any member who may have been absent from such meeting.

8. Summaries of proceedings of meetings with representatives of Central and State Governments shall be agreed by the Secretary with a senior officer nominated by that Government and attending

the meeting. When a verbatim record is kept the portion relating to each witness or member shall be agreed with him.

9. No information relating to the meetings or the work of the Commission shall be furnished to the press by the Secretary or any member of the staff except under the direction of the Chairman.

10. The Secretary of the Commission, under the general direction of the Chairman, shall be in overall charge of the office of the Commission and shall be responsible to the Commission for its proper working.

11. All communications from the Commission, other than a formal report, shall be signed by the Secretary or by an officer authorised by the Commission to sign on his behalf; but no communication purporting to express the views of the Commission shall be issued except with the prior approval of the Commission obtained at a meeting of the Commission or, if so directed by the Chairman, by circulation among the members.

12. The Secretary shall submit to the Commission all communications or proposals relating to the terms and conditions of service of the members of the Commission or in any way personally concerning a member and shall take no action on such matters except with the approval of the Commission or the member concerned.

13. The Secretary shall keep the Commission informed from time to time of all important matters affecting the office of the Commission.

14. The Chairman or any member of the Commission may direct the Secretary to obtain for him any publication, reports, statistics or other material required in connection with the work of the Commission. All such material shall be obtained by the Secretary as quickly as possible and shall be circulated to all the members of the Commission for their information.

15. All appointments to gazetted posts of the Commission shall be made with the approval of the Chairman, including appointments made by transfer from other Governments or Government departments.

16. All appointments of ministerial staff, including staff obtained on transfer from other Governments or Government departments shall be made by the Secretary in accordance with such general directions as may be given by the Chairman.

17. All appointments of Class IV officers shall be made by the Secretary.

18. The provisions of rules 15, 16 and 17 shall be subject to the condition that in respect of appointments of the personal staff of the members of the Commission, the member concerned should be consulted.

19. The Secretary may grant leave, whether regular or casual, to any member of the staff of the Commission but he shall take the orders of the Chairman before granting any regular leave to a gazetted officer. In the case of the personal staff of the Chairman and members of the Commission, he shall consult them before granting any leave.

20. The budget and the revised estimates of the Commission shall be submitted to the Commission for approval before they are communicated by the Secretary to the Finance Ministry.

21. All communications received by the Commission dealing with the matters on which they have to submit a report to the President shall be treated as confidential and no part of such communications shall be communicated to any outside authority except with the approval of the Chairman.

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APPENDIX IV

(*See* paragraph 5)

ORGANISATIONS AND INDIVIDUALS WHO SUBMITTED MEMORANDA AND WHO APPEARED BEFORE THE COMMISSION AND GAVE ORAL EVIDENCE.

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(1) ORGANISATIONS WHICH SUBMITTED MEMORANDA TO THE COMMISSION.

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1. Assam Chamber of Commerce, Shillong.
2. Assam Federated Chamber of Commerce, Gauhati.
3. Indian Chamber of Commerce, Calcutta.
4. Bharat Chamber of Commerce, Calcutta.
5. Hindustan Chamber of Commerce, Madras.
6. Southern India Chamber of Commerce, Madras.
7. Bihar Chamber of Commerce, Patna.
8. Bihar Pradesh Congress Committee, Patna.
9. Rajasthan Chamber of Commerce & Industry, Jaipur.
10. Indian Chamber of Commerce, Mattancheri.
11. Orissa Chamber of Commerce & Industry, Cuttack.
12. West Coast Industrialists Association, Kozhikode.
13. Gujarat Vepari Mahamandal, Ahmedabad.
14. Mahratta Chamber of Commerce & Industry, Poona.
15. Federation of Indian Chambers of Commerce & Industry, New Delhi.
16. Gokhale Institute of Public Affairs, Bangalore.
17. Indian Merchants' Chamber, Bombay.

(2) INDIVIDUALS WHO SUBMITTED MEMORANDA TO THE COMMISSION.

1. Shri Vavilala Gopalakrishnayya, M.L.A. (Andhra Pradesh), Sattenapalli.

2. Shri B. H. Munje, Head of the Department of Studies in Economics, Nagpur University, Nagpur.

3. Shri Amartya Kumar Sen, Professor of Economics, Jadavpur University, Calcutta.

4. Shri K. V. Subrahmanya Sastri, Lecturer in the Department of Economics, Andhra University, Waltair.

5. Dr. Sadasiv Misra, Professor of Economics, Ravenshaw College, Cuttack.

6. Shri K. S. Venkataraman, Faculty of Commerce, Maharaja Sayajirao University, Baroda.

7. Shri D. Jha, Head of the Department of Economics, Bihar University, Patna.

8. Shri S. Thirukkaivel, Deputy Tehsildar, Perambalur, Madras.

9. Professor S. Kesava Iyengar, Retired Economic Adviser, Hyderabad Government and Director, the Indian Institute of Economics, Hyderabad.

10. Members of Parliament from Andhra Pradesh:
    (i) Shri Kishen Chand,
    (ii) Shri H. C. Heda,
    (iii) Shri S. C. Reddy, and
    (iv) Shri Ahmed Mohiuddin.

11. Shri N. K. Acharya, Advocate, former Legal Adviser, Indian Chamber of Commerce, Guntur.

12. Shri P. C. Ghosh, Principal, Goenka College of Commerce and Business Administration, Calcutta.

13. Shri L. S. Venkajirao, M.L.A. (Mysore), Treasurer, Mysore Regional Pradesh Congress Committee, Bangalore.

14. Shri P. Kodanda Rao of the Servants of India Society, Bangalore.

15. Dr. P. J. Thomas, Member, Rajya Sabha.

16. Shri G. Parameswaran Pillia, former Chief Secretary, Travancore-Cochin, Trivandrum.

17. Shri Panampilli Govinda Menon, former Chief Minister, Travancore-Cochin, Trivandrum and Shri A. P. Udayabhanu, General Secretary, Kerala Pradesh Congress Committee, Trivandrum.

(3) ORGANISATIONS WHOSE REPRESENTATIVES APPEARED BEFORE THE COMMISSION AND GAVE ORAL EVIDENCE.

	Organisations	*Date of meeting*
1.	Assam Federated Chamber of Commerce, Gauhati.	25th October 1956.
2.	Indian Chamber of Commerce, Calcutta.	3rd November 1956.
3.	Bihar Chamber of Commerce, Patna.	14th December 1956.
4.	Bihar Pradesh Congress Committee, Patna.	14th December 1956.
5.	Rajasthan Chamber of Commerce and Industry, Jaipur.	13th January 1957.
6.	Hindustan Chamber of Commerce, Madras.	21st March 1957.
7.	Southern India Chamber of Commerce, Madras.	21st March 1957.
8.	Gokhale Institute of Public Affairs, Bangalore.	2nd May 1957.

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(4) INDIVIDUALS WHO APPEARED BEFORE THE COMMISSION AND GAVE ORAL EVIDENCE.

	Name	*Date of meeting*
1	Professor Kishen Chand, M.P., Hyderabad.	13the February 1957.
2.	Shri Ahmed Mohiuddin, M.P., Hyderabad.	Do.
3.	Shri H. C. Heda, M.P., Hyderabad.	Do.
4.	Shri Akbar Ali Khan, M. P., Hyderabad.	Do.
5.	Shri Vavilala Gopalakrishnayya, M. L. A. (Andhra Pradesh), Hyderabad.	Do.
6.	Shri S. Kesava Iyengar, Director of the Indian Institute of Economics, Hyderabad.	14th February 1957.
7.	Shri S. Srinivasa Iyengar, former M.L.A. (Mysore), Bangalore.	1st May 1957.
8.	Shri H. C. Dasappa, M. P. (Former Finance Minister, Mysore), Bangalore.	Do.
9.	Shri L. S. Venkaji Rao, M.L.A. (Mysore), Bangalore.	Do.
10.	Shri P. Kodanda Rao of the Servants of India Society, Bangalore.	2nd May 1957.
11.	Shri G. Parameswaran Pillai (Former Chief Secretary, Travancore-Cochin), Trivandrum.	27th June 1957.
12.	Dr. P. J. Thomas, Member, Rajya Sabha	Do.
13.	Shri P. Govinda Menon (Former Chief Minister, Travancore-Cochin), Trivandrum.	Do.
14.	Shri A. P. Udayabhanu, General Secretary, Keral Pradesh Congress Committee, Triavandrum.	Do.

APPENDIX V

(*See* paragraph 7)

PRESS CONFERENCES HELD BY THE COMMISSION

	Station	*Date*
1.	New Delhi	6th June 1956
2.	Shillong	25th October 1956
3.	Calcutta	3rd November 1956
4.	Bhubaneswar	7th November 1956
5.	Lucknow	6th December 1956
6.	Patna	15th December 1956
7.	Jaipur	13th January 1957
8.	Hyderabad	14th February 1957
9.	Madras	21st March 1957
10.	Chandigarh	1st April 1957
11.	Bhopal	11th April 1957
12.	Bombay	18th April 1957
13.	Bangalore	2nd May 1957
14.	Srinagar	11th June 1957
15.	Trivandrum	27th June 1957

APPENDIX VI

(*See* paragraph 8)

CORRESPONDENCE REGARDING INTERPRETATION OF ARTICLE 275 OF THE CONSTITUTION.

(1) *Letter No. FC.5(6)-A/56, dated the 13th July 1956 from Shri H. B. Bhar, Secretary, Finance Commission, to the Secretary to the President of India.*

In the terms of reference to the Finance Commission as notified by the order of the President dated 1st June 1956, it would seem that only the grants under the main part of article 275(1) are included. The Commission is tentatively of the opinion that clause (2) of article 275 covers not only the substantive part of clause (1), but also the two provisos appended to it.

2. If the above interpretation by the Commission of article 275 is acceptable to the President, and if the terms of reference as they stand are not intended to include grants under the two provisos to clause (1) of that article, it is requested that the President may be pleased to issue necessary orders to enable the Commission to make recommendations regarding the grants under the provisos to article 275(1).

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(2) *Letter No. F.15(7)-B/56, dated the 16/17th October 1956, from Shri H. M. Patel, Secretary to the Government of India, Ministry of Finance, to the Secretary, Finance Commission, New Delhi.*

I am directed to refer to your letter to the Secretary to the President, No. FC.5(6)-A/56, dated the 13th July 1956 regarding the terms of reference to the Finance Commission as notified by the Order of the President dated the 1st June 1956 and to say that the presumption of the Commission that clause 4(b) of the Order has reference only to the substantive part of clause (1) of article 275 of the Constitution is correct. As regards the question whether clause (2) of article 275 covers, not only the substantive part of clause (1), but also the two provisos appended to it, the President is advised as follows.

2. The duty of the Commission to make recommendations to the President is in respect of grants-in-aid as to which Parliament can make a law under clause (1) of article 275. It is a cardinal rule of interpretation that a proviso to a particular provision of a statute carves out an exception to the main provision to which it has been enacted as a proviso. The effect of provisos to clause (1) is thus to carve out an exception to that clause by taking away the power conferred on Parliament under its substantive part, so far as grants-in-aid covered by the said provisos are concerned. As the payment of such grants is made obligatory by the Constitution itself, Parliament is not given any power to make law in respect thereof. Further these provisos do not even contain any mention about Parliament making law regarding grants covered by the said provisos, nor about the President making order in respect thereof. Consequently the power of the Commission to make recommendations to the President under the proviso to clause (2) of the article does not extend to such grants.

3. This view was, by implication, accepted by the first Finance Commission whose terms of reference under article 275 referred only to the substantive part of clause (1) of the article. It is reinforced by practical considerations also. For example, the Finance Commission can have nothing to recommend in regard to the specific grant under clause (a) of the second proviso as it involved only an arithmetical computation. The quantum of the other grants mentioned in the provisos depends on schemes to be approved by the Government of India and it is open to the State to sponsor schemes at any time and not necessarily once in five years, being the period during which a Finance Commission is normally constituted under article 280 of the Constitution. In other words, the approval of the schemes and the grant of financial assistance for them go together, and since this is a continuous process, it is but appropriate that these matters are left to be dealt with between the Government of India and the Governments of the States without bringing the Finance Commission into the picture.

4. The President, therefore, considers that no order need be issued asking for the Commission's recommendations regarding the grants under the provisos to article 275 (1).

APPENDIX VII

(*See* paragraph 9)

INTERIM REPORT OF THE COMMISSION.

By the order of the President S.R.O. 1285 dated June 1, 1956 we have been constituted as the Finance Commission, the second such Commission to be set up under article 280 of the Constitution. We assumed office on the forenoon of the same day.

2. We are now only in the preliminary stages of our study of the material available to us. Many States, particularly the re-organised States, have yet to send us the memoranda and the statistical data we have called for. We have had discussions only with the Governments of the States of Assam, West Bengal and Orissa. It is only after we have received and considered all the memoranda and statements and the discussions with the other State Governments have been completed, that we shall be in a position to formulate our final recommendations. As these will not be available in time for the framing of the budgets for the coming year by the Central and State Governments, we consider it desirable to make interim recommendations on the basis of which budgets can be framed and provisional payments may be made.

3. We recommend that the decisions taken by the Government of India on our final report should be given effect to from the 1st April 1957, and all payments made on the basis of this report readjusted against the final payments. We wish to make it clear that the interim recommendations should not be taken as giving any indication of the views of the Commission. We are engaged in a reassessment of the financial position of the Central and the State Governments and our final decisions will depend upon this reassessment. The interim recommendations should not, therefore, be considered as in any way committing us in regard to the principles of distribution of revenue or assistance by way of grants-in-aid.

4. At the time the first Finance Commission reported, articles 270, 272, 275(1) and 280 did not apply to the State of Jammu and Kashmir. These became applicable to that State by the Constitution (Application to Jammu and Kashmir) Order, 1954. Matters falling under

the provisions of articles 270, 272 and 275(1) were regulated by an agreement executed on the 14th January 1956 between the President of India and the State of Jammu and Kashmir under articles 278 and 295. This agreement was subject to modification by the President after consideration of the report of the second Finance Commission. The Constitution (Seventh Amendment) Act 1956 has repealed article 278. It has also deleted article 280(3) (c) by which the Finance Commission was required to recommend the continuance or modification of the terms of any agreement entered into by the Government of India with any Part B State under clause (1) of article 278. Presumably, therefore, the provisions of the agreement with the State of Jammu and Kashmir have become inoperative with effect from the 1st November 1956. It will thus be necessary to make special provision for the period from 1st November 1956 to 31st March 1957, and we recommend that appropriate action may be taken. From 1st April 1957 the State will take its place along with other States in the all-India scheme for grants-in-aid and the distribution of divisible Union taxes.

5. In formulating the interim recommendations, we have, as far as possible, sought to maintain the existing position for the various States. In the case of those States which have not been affected by the States Reorganisation Act 1956, we have continued the percentage shares of income tax and excise duties as recommended by the first Finance Commission, subject to the small readjustment necessitated by the inclusion of the State of Jammu and Kashmir in the scheme. As regards the States affected by the States Reorganisation Act 1956 and the Bihar and West Bengal (Transfer of Territories) Act 1956, we have adopted the readjusted percentages in relation to income tax and excise duties as embodied in those Acts read with the order issued by the President under the latter Act.

6. In our recommendations for grants-in-aid under the substantive portion of article 275(1) to States in which certain former Part C States have been merged, we have, to some extent, taken into account the assistance received by these Part C States in the past from Central revenues to meet their revenue deficits. We have also for the time being and without prejudice to our final recommendations treated the existing grants for the expansion of primary education as general grants. Otherwise, we have continued the existing grants with the modifications made by the States Reorganisation Act 1956 and by the order issued under section 21 of the Bihar and West Bengal (Transfer of Territories) Act 1956.

7. We have not taken into consideration the effect of reorganisation or other factors affecting the revenue position of the States as we do not, at this stage, have sufficient material at our disposal to enable us to make even a tentative assessment of the assistance that may be required. These will be taken into account in our final recommendations.

8. Subject to the observations contained in the foregoing paragraphs, we make the following interim recommendations in respect of the financial year 1957-58:—

(a) *Distribution of Income Tax.*—55 per cent of the net proceeds of taxes on income other than corporation tax, exclusive of the proceeds attributable to Union territories or to taxes payable on Union emoluments, may be assigned to the States and distributed among them as follows:—

State	*Percentage*
Andhra Pradesh	8·01
Assam	2·23
Bihar	9·31
Bombay	18·91
Kerala	3·60
Madhya Pradesh	5·09
Madras	7·95
Mysore	5·93
Orissa	3·46
Punjab	3·96
Rajasthan	3·47
Uttar Pradesh	15·59
West Bengal	11·48
Jammu and Kashmir	1·01

For purposes of sub-clause (2) read with sub-clause (3) of article 270 of the Constitution, the proceeds attributable to Union territories may be taken at 1 per cent.

(b) *Distribution of Estate Duty in respect of property other than agricultural land.*—For the distribution of the net proceeds of the estate duty, the recommendations contained in sub-para (a) above may be followed.

(c) *Distribution of Union Excises.*—40 per cent of the net proceeds of Union duties of excise on matches, tobacco and

vegetable products may be distributed among the States as set out below:

State	*Percentage*
Andhra Pradesh	8·92
Assam	2·58
Bihar	11·04
Bombay	13·59
Kerala	3·86
Madhya Pradesh	6·17
Madras	8·54
Mysore	5·45
Orissa	4·17
Punjab	4·60
Rajasthan	4·34
Uttar Pradesh	18·00
West Bengal	7·49
Jammu and Kashmir	1·25

(d) *Grants-in-aid in lieu of a share of the export duty on jute and jute products.*—For the States mentioned below the sums shown against each may be prescribed under article 273:

State	*Amount* (Rupees in lakhs)
Assam	75·00
Bihar	72·31
Orissa	15·00
West Bengal	152·69

(e) *Grants-in-aid under the substantive part of clause* (1) *of article* 275 *of the Constitution.*—The States mentioned below may be paid the sums mentioned against each:

State	*Amount* (Rupees in lakhs)
Andhra Pradesh	24
Assam	100
Bihar	80
Bombay	130
Kerala	41
Madhya Pradesh	251
Madras	5
Mysore	46
Orissa	107
Punjab	163
Rajasthan	115
West Bengal	83
Jammu and Kashmir	175

(f) *Rates of interest and terms of repayment of loans made to State Governments by the Government of India between the 15th August 1947 and 31st March 1956.*

We do not consider it necessary to make any interim recommendations.

K. SANTHANAM, *Chairman.*

UJJAL SINGH, *Member.*

L. S. MISRA, *Member.*

M. V. RANGACHARI, *Member.*

B. N. GANGULI, *Member.*

H. B. BHAR, *Secretary.*
NEW DELHI,
the 27th November 1956.

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APPENDIX VIII

(*See* paragraph 10)

DATES OF DISCUSSIONS WITH STATE GOVERNMENTS AND REPRESENTATIVES OF CENTRAL MINISTERS.

(1) DATES OF DISCUSSIONS WITH STATE GOVERNMENTS

	Dates of discussions at	
	State Headquarters	New Delhi
Assam . .	21st to 26th October 1956	22nd July 1957
West Bengal .	30th October to 3rd November 1956.	23rd July 1957
Orissa . .	4th to 7th November 1956	22nd July 1957
Uttar Pradesh .	3rd to 6th December 1956	27th July 1957
Bihar . .	10th to 15th December 1956	24th July 1957
Rajasthan . .	10th to 13th January 1957	24th July 1957
Andhra Pradesh	11th to 14th February 1957	25th July 1957
Madras . .	18th to 21st March 1957	29th July 1957
Punjab . .	29th March to 1st April 1957	25th July 1957
Madhya Pradesh	8th to 11th April 1957	26th July 1957
Bombay . .	15th to 18th April 1957	1st August 1957
Mysore . .	28th April to 2nd May 1957	29th July 1957
Jammu and Kashmir.	7th to 11th June 1957	30th July 1957
Kerala . .	24th to 27th June 1957.	30th July 1957

(2) Dates of Discussions with Representatives of Central Ministries

		Dates of discussions
1.	Ministry of Finance (Department of Revenue.)	24th September 1956 1st March 1957 16th July 1957
2.	Ministry of Community Development .	26th September 1956 10th July 1957
3.	Commissioner for Scheduled Castes and Scheduled Tribes	7th January 1957
4.	Secretary to the Government of India, Kashmir Affairs	16th May 1957
5.	Ministry of Food and Agriculture .	11th July 1957
6.	Ministry of Education . . .	11th July 1957
7.	Ministry of Home Affairs. . . .	15th July 1957
8.	Ministry of Railways . . .	17th July 1957
9.	Ministry of Finance (Department of Economic Affairs and Department of Expenditure).	27th July 1957.

APPENDIX IX

(*See* paragraph 28)

PROVISIONS OF THE CONSTITUTION BEARING ON WORK OF THE FINANCE COMMISSION.

Article 269—

(*1*) The following duties and taxes shall be levied and collected by the Government of India but shall be assigned to the States in the manner provided in clause (*2*), namely:—

(*a*) duties in respect of succession to property other than agricultural land;

(*b*) estate duty in respect of property other than agricultural land;

(*c*) terminal taxes on goods or passengers carried by railway, sea or air;

(*d*) taxes on railway fares and freights;

(*e*) taxes other than stamp duties on transactions in stock-exchanges and future markets;

(*f*) taxes on the sale or purchase of newspapers and on advertisements published therein;

(*g*) taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce.

(*2*) The net proceeds in any financial year of any such duty or tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that duty or tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.

(*3*) Parliament may by law formulate principles for determining when a sale or purchase of goods takes place in the course of inter-state trade or commerce.

Article 270—

(*1*) Taxes on income other than agricultural income shall be levied and collected by the Government of India and distributed between the Union and the States in the manner provided in clause (*2*).

(*2*) Such percentage, as may be prescribed, of the net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed.

(*3*) For the purposes of clause (*2*), in each financial year such percentage as may be prescribed of so much of the net proceeds of taxes on income as does not represent the net proceeds of taxes payable in respect of Union emoluments shall be deemed to represent proceeds attributable to Union territories.

(*4*) In this article—

(*a*) "taxes on income" does not include a corporation tax;

(*b*) "prescribed" means—

(*i*) until a Finance Commission has been constituted, prescribed by the President by order, and

(*ii*) after a Finance Commission has been constituted, prescribed by the President by order after considering the recommendations of the Finance Commission;

(*c*) "Union emoluments" includes all emoluments and pensions payable out of the Consolidated Fund of India in respect of which income tax is chargeable.

Article 272—

Union duties of excise other than such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied and collected by the Government of India, but, if Parliament by law so provides, there shall be paid out of the Consolidated Fund of India to the States to which the law imposing the duty extends sums equivalent to the whole or any part of the net proceeds of that duty, and those sums shall be distributed among those States in accordance with such principles of distribution as may be formulated by such law.

Article 273—

(*1*) There shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of the States of Assam, Bihar, Orissa and West Bengal, in lieu of assignment of any share of the net proceeds in each year of export duty on jute and jute products to those States, such sums as may be prescribed.

(*2*) The sums so prescribed shall continue to be charged on the Consolidated Fund of India so long as any export duty on jute or jute products continues to be levied by the Government of India or until the expiration of ten years from the commencement of this Constitution, whichever is earlier.

(*3*) In this article, the expression "prescribed" has the same meaning as in article 270.

Article 275—

(*1*) Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States:

Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State:

Provided further that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the State of Assam sums, capital and recurring, equivalent to—

(*a*) the average excess of expenditure over the revenues during the two years immediately preceding the commencement of this Constitution in respect of the administration of the tribal areas specified in Part A of the table appended to paragraph 20 of the Sixth Schedule; and

(*b*) the costs of such schemes of development as may be undertaken by that State with the approval of the Government of India for the purpose of raising the level of administration of the said areas to that of the administration of the rest of the areas of that State.

(2) Until provision is made by Parliament under clause (1), the powers conferred on Parliament under that clause shall be exercisable by the President by order and any order made by the President under this clause shall have effect subject to any provision so made by Parliament:

Provided that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

*Article 278**—

(1) Notwithstanding anything in this Constitution, the Government of India may, subject to the provisions of clause (2), enter into an agreement with the Government of a State specified in Part B of the First Schedule with respect to—

(a) the levy and collection of any tax or duty leviable by the Government of India in such State and for the distribution of the proceeds thereof otherwise than in accordance with the provisions of this Chapter;

(b) the grant of any financial assistance by the Government of India to such State in consequence of the loss of any revenue which that State used to derive from any tax or duty leviable under this Constitution by the Government of India or from any other sources;

(c) the contribution by such State in respect of any payment made by the Government of India under clause (1) of article 291,

and, when an agreement is so entered into, the provisions of this Chapter shall in relation to such State have effect subject to the terms of such agreement.

(2) An agreement entered into under clause (1) shall continue in force for a period not exceeding ten years from the commencement of this Constitution:

Provided that the President may at any time after the expiration of five years from such commencement terminate or modify any such agreement if after consideration of the report of the Finance Commission he thinks it necessary to do so.

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*Repealed by the Constitution (Seventh Amendment) Act, 1956.

Article 280—

(1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to—

(*a*) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(*b*) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

*(*c*) the continuance or modification of the terms of any agreement entered into by the Government of India with the Government of any State specified in Part B of the First Schedule under clause (1) of article 278 or under article 306; and

*(*d*) any other matter referred to the Commission by the President in the interests of sound finance.

(4) The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

Article 281—

The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

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*Sub-clause (c) omitted and sub-clause (d) relettered (c) by the Constitution (Seventh Amendment) Act, 1956.

*Article 306**—

Notwithstanding anything in the foregoing provisions of this Part or in any other provisions of this Constitution, any State specified in Part B of the First Schedule which before the commencement of this Constitution was levying any tax or duty on the import of goods into the State from other States or on the export of goods from the State to other States may, if an agreement in that behalf has been entered into between the Government of India and the Government of that State, continue to levy and collect such tax or duty subject to the terms of such agreement and for such period not exceeding ten years from the commencement of this Constitution as may be specified in the agreement:

Provided that the President may at any time after the expiration of five years from such commencement terminate or modify any such agreement if, after consideration of the report of the Finance Commission constituted under article 280, he thinks it necessary to do so.

*Repealed by the Constitution (Seventh Amendment) Act, 1956.

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APPENDIX X

(*See* table in paragraph 125)

LETTER FROM PLANNING COMMISSION REGARDING ESTIMATES OF REVENUE FROM ADDITIONAL TAXATION DURING SECOND FIVE YEAR PLAN PERIOD.

Demi-official letter No. PC. (P) 77/56, dated 6th September 1957 from Shri Tarlok Singh, Joint Secretary, Planning Commission, to the Secretary, Finance Commission.

Will you kindly refer to your letter No. FC. 6(2)-B/56, dated the 9th August, 1957 ? We have no objection to use being made of the estimates prepared by the Economic Division of revenue from additional taxation during the Second Five Year Plan for the various States as reorganised. We would, however, like to point out that these estimates were prepared in November, 1956. At that time there were no means of obtaining the estimates of the States concerned. Secondly, the estimates were not discussed with the States as they were prepared primarily for the internal use of the Planning Commission. In the third place, it has been the intention of the Planning Commission to arrange for a further round of discussions at which various financial estimates connected with the State plans would be reviewed. It is requested that if in the report of the Finance Commission a reference is to be made to the estimates of the Economic Division, the qualifications which necessarily circumscribed these estimates may kindly be indicated briefly.

APPENDIX XI

TELEGRAM FROM UNION FINANCE MINISTRY REGARDING PROPOSALS TO GRANT INCREASE IN EMOLUMENTS OF EMPLOYEES OF STATE GOVERNMENTS.

(*See* paragraph 185)

Copy of Secret Telegram No. 33432, dated the 20th February 1957 from Union Finance Ministry to Chief Secretaries of all State Governments.

Reference Government of India, Ministry of Finance, Secret letter No. 17(31)-EIII/56, dated the 12th January 1957 regarding proposals to grant increases in emoluments of employees of State Governments.

Para Two.—After examination of replies from States the Central Government have decided to grant assistance to such States as would implement above proposals to the extent and under the conditions referred to in succeeding paragraphs. State Governments should formulate their own schemes and issue sanctions in each case on their own authority. The proposals are not to be viewed as a Centrally sponsored scheme.

Para Three.—An increase in emoluments preferably in the form of an *ad hoc* addition to existing rates of dearness allowance may be made upto rupees twelve per month in each individual case to employees of State Governments and local bodies whose total emoluments, *i.e.*, pay plus dearness allowance after the increase will not exceed rupees one hundred.

Para Four.—Following basic conditions to be observed in sanctioning these proposals:—

(a) Industrial employees are excluded from scheme.

(b) Primary school teachers including teachers in aided primary schools who are covered by the scheme of the Central Education Ministry, *vide* their D.O. No. 3-47/55. C.U. dated the 29th February, 1956 and letter No. F. 39. 27/56-B.I. dated the 10th October 1956 will be covered by these proposals to the extent of the difference between this and the Education Ministry scheme.

(c) Increases in emoluments already granted by the States since 1st April 1956 including those due to revision of pay scales or amalgamation of cadres since re-organisation will

qualify for assistance subject to conditions mentioned in para three and other general limits prescribed in this telegram.

(d) Increases proposed to be given should not have the effect of raising emoluments of State employees above those of corresponding categories of Central Government employees.

Para Five.—Central Government's assistance towards meeting cost of above for four years will commence from 1957-58. Increases in present emoluments to bring them upto rupees sixty would be shared in the ratio of sixtysix and two-thirds per cent to thirtythree and one-third per cent and those raising emoluments above rupees sixty but upto rupees one hundred in the ratio of thirtythree and one-third per cent to sixtysix and two-thirds per cent by Central and State Governments respectively.

Para Six.—Quantum of Central assistance is subject to review on the basis of recommendations of Finance Commission. Details of proposed increases and suggested procedure for accounting and adjustment to be communicated to Central Government by States.

Para Seven.—As regards employees of State Governments and local bodies whose total emoluments after increase will exceed rupees one hundred but not exceed rupees two hundred and fifty, some State Governments have represented the need for some relief to these categories. In some cases pay scales have been revised since first April 1956 and in others *ad hoc* increases to dearness allowances are proposed. Subject to such increases not exceeding rupees twelve per mensem in any individual case and to the resultant emoluments not exceeding those of corresponding categories of Central Government servants, Central Government are prepared to assist States by way of a repayable loan on usual terms and conditions.

Para Eight.—Amount of loan will be calculated on the basis of rupees one lakh per one million of population in the State but will be subject to an overall maximum of twentyfive lakhs of rupees for a State. Loan will be sanctioned for the financial year 1957-58 only and the position will be reviewed before the end of that year in the light of award of the Finance Commission.

APPENDIX XII

STATEMENT SHOWING POPULATION AND AREA OF STATES ON BASIS OF 1951 CENSUS.

State	Population	*Percentage of total*	Area in square miles	Density of population per square mile
Andhra Pradesh	31,260,133	*8·76*	105,700	295·7
Assam	9,043,707	*2·53*	85,062	106·3
Bihar	38,783,778	*10·86*	67,113	577·9
Bombay	48,265,221	*13·52*	190,668	253·1
Kerala	13,549,118	*3·79*	14,937	907·1
Madhya Pradesh	26,071,637	*7·30*	171,300	152·2
Madras	29,974,936	*8·40*	50,174	597·4
Mysore	19,401,193	*5·43*	74,861	259·2
Orissa	14,645,946	*4·10*	60,250	243·1
Punjab	16,134,890	*4·52*	47,062	342·8
Rajasthan	15,970,774	*4·47*	132,098	120·9
Uttar Pradesh	63,215,742	*17·71*	113,423	557·3
West Bengal	26,302,386	*7·37*	33,885	776·2
Jammu and Kashmir	4,410,000	*1·24*	92,780	47·5
TOTAL	357,029,461	*100·00*	1,239,313	288·1

NOTES

1. Population and area in square miles of Union territories are 4,122,208 and 27,403 respectively.

2. Population of Jammu and Kashmir is as estimated by the Registrar General, India.

3. Figures for Assam do not include those for areas specified in Part B of able in para 20 of Sixth Schedule to the Constitution.

APPENDIX XIII

(STATISTICAL TABLES)

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INTRODUCTORY NOTES

Revenue and Expenditure exclude transfers from and to Revenue Reserve Funds, Sugar Cane Cess Funds and State Road Funds.

2. Receipts and disbursements on account of trading operations have been excluded from Revenue and Expenditure respectively.

3. For irrigation schemes, electricity and road transport undertakings and factories run departmentally, Revenue has been shown net after deduction of working expenses and depreciation.

4. Expenditure excludes appropriations for reduction or avoidance of debt.

5. Unless otherwise specified, Tax Revenue includes Internal Customs Duty, Agricultural Income Tax, Estate Duty, Land Revenue, State Excise, Stamps, Registration, Taxes on Motor Vehicles, Sales Tax and taxes classified under the head Other Taxes and Duties.

6. Statutory grants include those under articles 273, 275, and 278 of the Constitution.

7. Revenue gap grants in the case of the former Part C States of Ajmer, Bhopal and Vindhya Pradesh have been shown under Other grants or Grants under article 282.

8. Other Administrative Services include Administration of Justice, Jails and Convict Settlements, Ports and Pilotage and Aviation.

9. Other Social Services include Scientific Departments, Agriculture, Rural Development, Veterinary and Cooperation.

10. Madras and Andhra figures for 1953-54 are for the second half of the year.

11. Figures of only those Part C States which merged in the neighbouring States from 1st November 1956, namely, Ajmer, Bhopal, Coorg, Kutch and Vindhya Pradesh, have been given.

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1. *Summary of Budgetary Position of States*

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
			ANDHRA		
TOTAL REVENUE	..	..	11,22	19,64	23,28
Deduct—					
(*i*) Share of Central Income Tax	..	..	1,76	3,26	3,21
(*ii*) Share of Union Excise Duties	..	..	46	96	1,05
(*iii*) Grants-in-aid					
(*a*) Statutory	..	..	8	12	13
(*b*) Other grants	..	..	36	64	1,15
NET REVENUE	..	..	8,56	14,66	17,74
TOTAL EXPENDITURE	..	..	12,24	24,78	28,47
Surplus (+) / Deficit (—)	..	..	—3,68	—10,12	—10,73
			ASSAM		
TOTAL REVENUE	11,29	14,28	14,34	16,23	22,04
Deduct—					
(*i*) Share of Central Income Tax	1,57	1,39	1,40	1,33	1,32
(*ii*) Share of Union Excise Duties	..	46	43	42	46
(*iii*) Grants-in-aid					
(*a*) Statutory	1,39	2,44	2,90	3,54	3,82
(*b*) Other grants	24	34	39	44	1,90
NET REVENUE	8,09	9,65	9,22	10,50	14,54
TOTAL EXPENDITURE	10,90	12,58	13,76	19,18	24,42
Surplus (+) / Deficit (—)	—2,81	—2,93	—4,54	—8,68	—9,88
			BIHAR		
TOTAL REVENUE	28,30	30,22	33,25	35,80	37,74
Deduct—					
(*i*) Share of Central Income Tax	6,54	5,99	6,03	5,79	5,71
(*ii*) Share of Union Excise Duties	..	2,04	1,93	1,87	2,05
(*iii*) Grants-in-aid					
(*a*) Statutory	54	92	1,38	1,61	1,89
(*b*) Other grants	1,71	1,08	1,67	5,37	4,08
NET REVENUE	19,51	20,19	22,24	21,16	24,01
TOTAL EXPENDITURE	32,82	28,25	30,18	40,89	52,31
Surplus (+) / Deficit (—)	—13,31	—8,06	—7,94	—19,73	—28,30

Summary of Budgetary Position of States—contd.

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
			BOMBAY		
TOTAL REVENUE . . .	60,51	59,79	71,55	77,25	84,12
Deduct—					
(*i*) Share of Central Income Tax	10,99	10,67	10,76	10,39	10,24
(*ii*) Share of Union Excise Duties	..	1,82	1,72	1,68	1,84
(*iii*) Grants-in-aid					
(*a*) Statutory . .	1,43	8	13	28	28
(*b*) Other grants . .	65	1,27	2,32	1,47	3,61
NET REVENUE . . .	47,44	45,95	56,62	63,43	68,15
TOTAL EXPENDITURE . .	59,88	65,79	67,53	65,43	74,26
Surplus (+) / Deficit (—) . . .	—12,44	—19,84	—10,91	—2,00	—6,11
			HYDERABAD		
TOTAL REVENUE . . .	29,87	26,74	25,56	27,41	26,76
Deduct—					
(*i*) Share of Central Income Tax	..	2,47	2,50	2,67	2,63
(*ii*) Share of Union Excise Duties	..	95	90	87	95
(*iii*) Grants-in-aid					
(*a*) Statutory . .	1,20	6	23	28	36
(*b*) Other grants . .	96	28	16	59	1,20
NET REVENUE . . .	27,71	22,98	21,77	23,00	21,62
TOTAL EXPENDITURE . .	26,79	23,48	24,08	25,65	26,94
Surplus (+) / Deficit (—) . . .	+92	—50	—2,31	—2,65	—5,32
			MADHYA BHARAT		
TOTAL REVENUE . . .	11,30	11,62	14,30	14,86	16,77
Deduct—					
(*i*) Share of Central Income Tax	6	96	97	1,04	1,0
(*ii*) Share of Union Excise Duties	..	40	38	37	41
(*iii*) Grants-in-aid					
(*a*) Statutory . . .	4	8	16	25	24
(*b*) Other grants . .	15	17	35	1,22	1,18
NET REVENUE . . .	11,05	10,01	12,44	11,98	13,91
TOTAL EXPENDITURE . .	11,12	12,07	12,67	14,05	18,25
Surplus (+) / Deficit (—) . . .	—7	—2,06	—23	—2,07	—4,34

Summary of Budgetary Position of States—contd.

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
MADHYA PRADESH					
TOTAL REVENUE . .	22,80	23,66	24,39	25,51	28,26
Deduct—					
(*i*) Share of Central Income Tax	3,14	3,19	3,21	3,12	3,07
(*ii*) Share of Union Excise Duties	..	1,08	1,05	99	1,09
(*iii*) Grants-in-aid					
(*a*) Statutory . . .	67	17	45	61	76
(*b*) Other grants . .	17	26	62	1,28	2,79
NET REVENUE . . .	18,82	18,96	19,06	19,51	20,55
TOTAL EXPENDITURE . .	17,99	19,27	23,42	28,78	29,80
Surplus (+) / Deficit (—) . .	+83	—31	—4,36	—9,27	—9,25
MADRAS					
TOTAL REVENUE . . .	58,75	58,02	22,77	42,86	51,70
Deduct—					
(*i*) Share of Central Income Tax	9,15	9,42	3,07	5,67	5,60
(*ii*) Share of Union Excise Duties	..	2,89	81	1,67	1,83
(*iii*) Grants-in-aid					
(*a*) Statutory .	4	9	1	2	2
(*b*) Other grants . .	1,04	65	35	1,59	4,23
NET REVENUE . . .	48,52	44,97	18,53	33,91	40,02
TOTAL EXPENDITURE . .	62,74	66,85	23,26	46,25	53,59
Surplus (+) / Deficit (—) . .	—14,22	—21,88	—4,73	—12,34	—13,57
MYSORE					
TOTAL REVENUE . . .	14,11	15,04	15,53	16,54	19,89
Deduct—					
(*i*) Share of Central Income Tax	..	..	7	12	12
(*ii*) Share of Union Excise Duties	..	..	2	4	4
(*iii*) Grants-in-aid					
(*a*) Statutory . .	3,45	3,85	3,87	3,86	3,86
(*b*) Other grants . .	53	4	18	34	59
NET REVENUE . . .	10,13	11,15	11,39	12,18	15,28
TOTAL EXPENDITURE . .	14,15	13,99	15,22	16,35	19,27
Surplus (+) / Deficit (—) . .	—4,02	—2,84	—3,83	—4,17	—3,99

Summary of Budgetary Position of States—contd.

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
			ORISSA		
TOTAL REVENUE . . .	11,96	12,62	12,27	13,99	16,11
Deduct—					
(*i*) Share of Central Income Tax	1,57	2,08	2,09	2,08	2,17
(*ii*) Share of Union Excise Duties . . .	..	74	72	68	75
(*iii*) Grants-in-aid					
(*a*) Statutory . . .	75	1,12	1,28	1,45	1,66
(*b*) Other grants . . .	59	60	22	1,36	3,25
NET REVENUE . . .	9,05	8,08	7,96	8,42	8,28
TOTAL EXPENDITURE . .	10,50	11,25	12,76	15,02	22,85
Surplus (+) / Deficit (—) . .	—1,45	—3,17	—4,80	—6,60	—14,57
			PEPSU		
TOTAL REVENUE . . .	6,09	6,17	6,98	7,63	9,08
Deduct—					
(*i*) Share of Central Income Tax	15	41	42	45	44
(*ii*) Share of Union Excise Duties . . .	..	..	34	16	18
(*iii*) Grants-in-aid					
(*a*) Statutory . .	..	..	5	6	17
(*b*) Other grants .	19	8	21	46	1,12
NET REVENUE . . .	5,75	5,68	5,96	6,50	7,17
TOTAL EXPENDITURE . .	4,66	5,41	6,43	8,59	10,29
Surplus (+) / Deficit (—) . .	+1,09	+27	—47	—2,09	—3,12
			PUNJAB		
TOTAL REVENUE . . .	17,56	18,04	20,20	22,30	24,20
Deduct—					
(*i*) Share of Central Income Tax	2,88	2,06	2,08	1,93	1,90
(*ii*) Share of Union Excise Duties	..	64	61	59	65
(*iii*) Grants-in-aid					
(*a*) Statutory . . .	..	1,27	1,44	1,48	1,54
(*b*) Other grants . .	26	10	48	1,58	2,53
NET REVENUE . . .	14,42	13,97	15,59	16,72	17,58
TOTAL EXPENDITURE . .	14,75	15,49	18,16	19,11	26,18
Surplus (+) / Deficit (—) . .	—33	—1,52	—2,57	—2,39	—8,60

Summary of Budgetary Position of States—contd.

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
			RAJASTHAN		
TOTAL REVENUE . . .	15,51	18,14	18,77	22,20	23,42
Deduct—					
(*i*) Share of Central Income Tax	13	1,92	1,94	2,08	2,05
(*ii*) Share of Union Excise Duties	..	77	73	71	78
(*iii*) Grants-in-aid					
(*a*) Statutory . .	5	5	24	42	39
(*b*) Other grants . .	..	18	60	2,71	1,36
NET REVENUE . . .	15,33	15,22	15,26	16,28	18,84
TOTAL EXPENDITURE . .	15,71	15,93	18,08	20,16	22,54
Surplus (+) / Deficit (—) . .	—38	—71	—2,82	—3,88	—3,70
			SAURASHTRA		
TOTAL REVENUE . . .	7,52	9,83	10,64	12,39	13,45
Deduct—					
(*i*) Share of Central Income Tax	..	..	..	..	..
(*ii*) Share of Union Excise Duties . . .	..	..	..	..	..
(*iii*) Grants-in-aid					
(*a*) Statutory . .	3,00	3,15	3,16	3,16	3,18
(*b*) Other grants . .	5	29	40	1,93	2,46
NET REVENUE . . .	4,47	6,39	7,08	7,30	7,81
TOTAL EXPENDITURE . .	8,55	11,70	8,37	12,11	15,72
Surplus (+) / Deficit (—) . .	—4,08	—5,31	—1,29	—4,81	—7,91
			TRAVANCORE-COCHIN		
TOTAL REVENUE . . .	17,91	16,63	16,87	17,51	18,64
Deduct— . .					
(*i*) Share of Central Income Tax	..	..	..	..	..
(*ii*) Share of Union Escise Duties	..	..	..	..	..
(*iii*) Grants-in-aid					
(*a*) Statutory . .	3,63	3,50	3,25	3,26	3,27
(*b*) Other grants . .	..	7	10	20	95
NET REVENUE . . .	14,28	13,06	13,52	14,05	14,42
TOTAL EXPENDITURE . .	12,73	15,61	14,34	12,43	19,35
Surplus(+) / Deficit (—) . .	+1,55	—2,55	—82	+1,62	—4,93

Summary of Budgetary Position of States—contd.

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
UTTAR PRADESH					
TOTAL REVENUE	51,51	57,91	72,40	74,34	80,05
Deduct—					
(*i*) Share of Central Income Tax	9,42	9,56	9,64	9,35	9,22
(*ii*) Share of Union Excise Duties	..	3,20	3,03	2,95	3,23
(*iii*) Grants-in-aid					
(*a*) Statutory	..	..	..	..	..
(*b*) Other grants	92	1,23	2,14	3,59	5,75
NET REVENUE	41,17	43,92	57,59	58,45	61,85
TOTAL EXPENDITURE	48,88	58,06	63,00	66,54	72,73
Surplus (+) / Deficit (—)	—7,71	—14,14	—5,41	—8,09	—10,88
WEST BENGAL					
TOTAL REVENUE	38,29	37,17	37,80	42,35	50,01
Deduct—					
(*i*) Share of Central Income Tax	7,06	6,86	6,92	6,68	6,58
(*ii*) Share of Union Excise Duties	..	1,26	1,19	1,16	1,27
(*iii*) Grants-in-aid					
(*a*) Statutory	1,56	2,30	2,40	2,42	2,46
(*b*) Other grants	31	49	88	2,48	4,66
NET REVENUE	29,36	26,26	26,41	29,61	35,04
TOTAL EXPENDITURE	37,01	38,52	44,42	48,28	60,10
Surplus (+) / Deficit (—)	—7,65	—12,26	—18,01	—18,67	—25,06
JAMMU AND KASHMIR					
TOTAL REVENUE	4,60	4,97	4,89	5,15	5,67
Deduct—					
(*i*) Share of Central Income Tax	..	..	..	..	..
(*ii*) Share of Union Excise Duties	..	..	..	..	..
(*iii*) Grants-in-aid					
(*a*) Statutory	..	..	..	..	..
(*b*) Other grants	1	..	..	2,42	2,67
NET REVENUE	4,59	4,97	4,89	2,73	3,00
TOTAL EXPENDITURE	4,74	4,75	4,85	4,73	5,39
Surplus (+) / Deficit (—)	—15	+22	+4	—2,00	—2,39

Summary of Budgetary Position of States—contd.

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
			AJMER		
TOTAL REVENUE : . . .	51	2,14	1,62	1,57	2,45
Deduct—					
(*i*) Share of Central Income Tax	..	..	..	..	..
(*ii*) Share of Union Excise Duties	..	..	..	..	..
(*iii*) Grants-in-aid					
(*a*) Statutory . . .	..	..	..	..	..
(*b*) Other grants . .	..	1,66	1,15	1,10	1,86
NET REVENUE . . .	51	48	47	47	59
TOTAL EXPENDITURE . .	1,49	2,11	1,48	1,67	2,05
Surplus(+) / Deficit(—) . . .	—98	—1,63	—1,01	—1,20	—1,46
			BHOPAL		
TOTAL REVENUE . . .	92	2,03	2,25	2,70	3,63
Deduct—					
(*i*) Share of Central Income Tax	..	..	..	..	..
(*ii*) Share of Union Excise Duties . . .	..	..	..	..	..
(*iii*) Grants in-aid					
(*a*) Statutory . . .	..	..	..	..	..
(*b*) Other grants . .	..	1,05	98	1,45	2,45
NET REVENUE . . .	92	98	1,27	1,25	1,18
TOTAL EXPENDITURE . .	1,22	1,91	2,28	2,78	3,97
Surplus(+) / Deficit (—) . . .	—30	—93	—1,01	—1,53	—2,79
			COORG		
TOTAL REVENUE . . .	61	87	1,04	1,07	1,24
Deduct—					
(*i*) Share of Central Income Tax	..	..	..	..	..
(*ii*) Share of Union Excise Duties	..	..	..	..	..
(*iii*) Grants-in-aid					
(*a*) Statutory . . .	..	..	..	..	..
(*b*) Other grants . .	2	7	6	15	13
NET REVENUE . . .	59	80	98	92	1,11
TOTAL EXPENDITURE . .	69	78	99	1,11	1,37
Surplus(+) / Deficit (—) . . .	—10	+2	—1	—19	—26

Summary of Budgetary Position of States—concld.

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
			VINDHYA PRADESH		
TOTAL REVENUE . . .	2,51	2,27	4,60	4,21	5,53
Deduct—					
(*i*) Share of Central Income Tax	..	..	..	..	..
(*ii*) Share of Union Excise Duties . . .	..	..	..	..	..
(*iii*) Grants-in-aid					
(*a*) Statutory . . .	..	..	..	..	..
(*b*) Other grants . .	..	2	2,21	1,35	2,40
NET REVENUE . . .	2,51	2,25	2,39	2,86	3,13
TOTAL EXPENDITURE . .	2,18	2,71	3,65	4,71	5,94
Surplus(+) / Deficit (—) . .	+33	—46	—1,26	—1,85	—2,81
			KUTCH		
TOTAL REVENUE . . .	49	29	40	36	42
Deduct—					
(*i*) Share of Central Income Tax	..	..	..	..	..
(*ii*) Share of Union Excise Duties	..	..	..	..	..
(*iii*) Grants-in-aid					
(*a*) Statutory . .	..	..	..	..	..
(*b*) Other grants . .	..	..	..	..	..
NET REVENUE . . .	49	29	40	36	42
TOTAL EXPENDITURE . .	87	1,21	1,06	1,18	1,17
Surplus(+) / Deficit (—) . .	—38	—92	—66	—82	—75

2. *Revenue and Expenditure of Union and State Governments from* 1948-49 *to* 1955-56.

(Rupees in lakhs)

Year	Revenue		Expenditure		Surplus (+) or Deficit (—)	
	Union	States	Union	States	Union	States
1948-49 . .	3,71,70	2,54,64	3,20,86	2,37,69	+ 50,84	+ 16,95
1949-50 . .	3,50,39	2,86,61	3,17,12	2,74,95	+ 33,27	+ 11,66
1950-51 . .	4,06,58	3,84,76	3,47,25	3,79,24	+ 59,33	+ 5,52
1951-52 . .	5,14,37	4,12,92	3,84,91	4,00,37	+ 1,29,46	+ 12,55
1952-53 . .	4,34,82	4,28,45	3,94,97	4,27,72	+ 39,85	+ 73
1953-54 . .	4,15,58	4,43,64	4,06,42	4,22,23	+ 9,16	+ 21,41
1954-55 . .	4,55,77	5,03,87	4,21,44	4,99,78	+ 34,33	+ 4,09
1955-56 . .	5,03,90	5,64,46	4,62,70	5,56,96	+ 41,20	— 92,50

NOTES: (1) State figures include those of Coorg for all years, of Ajmer, Bhopal, Kutch, Vindhya Pradesh and Part 'B' States from 1950-51 and of Jammu and Kashmir from 1951-52.

(2) Central figures include those of Ajmer and Kutch for 1948-49 and 1949-50.

(3) Union duties of excise distributed under article 272 of the Constitution and Central grants are shown as expenditure of Union; they are included in the revenue of States.

सत्यमेव जयते

3. *Composition of Revenue and Expenditure met from*

	1948-49	1949-50	1950-51	1951-52
Revenue—				
Customs	1,26,16	1,24,71	1,57,15	2,31,69
Union Excise Duties	50,63	67,85	67,54	85,78
Taxes on Income	1,81,76	1,61,12	1,73,22	1,87,60
of which				
Corporation tax	62,26	39,53	40,49	41,41
Taxes on Income other than Corporation tax.	1,19,50	1,21,59	1,32,73	1,46,19
Railways (*a*)	7,34	7,00	6,50	6,93
Posts nad Telegraphs(*a*)	2,36	2,38	3,98	3,43
Currency and Mint	12,63	11,22	12,27	11,30
Other Heads	32,61	21,87	37,52	41,50
Deduct—				
States' share of Income Tax	—41,79	—45,76	—47,52	—52,86
TOTAL	3,71,79	3,50,39	4,10,66	5,15,37
Expenditure—				
Defence Services (Net)	1,46,05	1,48,86	1,64,13	1,70,96
Direct Demands on Revenue	8,62	13,90	12,50	16,23
of which				
Union Excise Duties	..	..	..	..
Debt Services (Net) (*b*)	42,53	39,43	37,36	39,00
Civil Administration	35,56	39,30	48,80	53,67
Civil Works (*c*)	6,61	6,53	10,38	11,36
Contributions & Miscellaneous adjustments between Central and State Governments	2,96	2,96	15,59	17,31
Miscellaneous	56,89	52,44	52,88	65,14
of which				
Expenditure on displaced persons	3,45	12,28	8,74	13,12
Extraordinary Items	19,45	11,54	7,03	10,91
of which				
Expenditure on Community Projects, National Extension Service and Local Development Works	..	..	..	..
Other Heads	2,19	2,16	2,77	2,69
TOTAL	3,20,86	3,17,12	3,51,44	3,87,27

(*a*) Net Contribution to Central Revenues. (*b*) Includes Appropriation for Reduc-
(*d*) Excludes additional payment to States of Rs. 420 lakhs.

revenue of Government of India.

(Rupees in lakhs)

1952-53	1953-54	1954-55	1955-56	1956-57 (Revised Estimates)	1957-58 (Budget Estimates)
1,73,75	1,58,71	1,84,86	1,66,70	1,71,00	1,67,60
83,03	94,98	1,08,22	1,45,25	1,88,73	2,55,37 (*d*)
1,85,23	1,64,38	1,59,59	1,68,40	1,89,60	2,06,40
43,80	41,54	37,33	37,04	48,24	50,50
1,41,43	1,22,84	1,22,26	1,31,36	1,41,36	1,55,90
7,11	6,95	6,68	5,80	6,03	6,67
1,87	2,40	2,60	3,47	5,30	3,95
10,17	15,74	20,65	23,09	24,48	36,02
30,93	30,11	29,48	46,77	45,10	93,80
—56,98	—57,29	—55,95	—55,16	—58,75	—65,98
4,35,11	4,15,98	4,56,13	5,04,32	5,71,49	7,03,83
1,79,52	1,86,30	1,86,66	1,72,23	2,02,95	2,52,70
30,39	29,83	29,48	32,30	37,92	41,80
16,83	15,55	15,11	16,57	18,22	19,17(*d*)
36,50	40,82	39,72	43,14	38,21	35,00
51,71	64,17	75,11	94,07	1,33,64	1,91,02
13,12	13,85	13,45	12,14	14,54	15,93
22,80	25,91	29,79	35,87	29,60	25,23
48,86	32,11	29,86	60,23	59,16	75,73
7,71	8,82	7,52	23,24	21,86	22,50
10,15	11,78	15,25	10,49	12,43	23,86
50	2,87	4,44	9,34	10,45	11,45
3,13	2,71	3,30	3,40	5,10	6,82
3,96,18	4,07,48	4,22,62	4,63,87	5,33,55	6,68,09

tion or Avoidance of Debt. (*c*) Includes block grant for transfer to Central Road Fund.

4. *Revenue and Expenditure of States during first five year plan period.*

1951-52 to 1955-56

(Rupees in lakhs)

	Revenue	*Per Capita Revenue*	Expenditure	*Per Capita Expenditure*
Andhra	54,14 (*a*)	*10·6*	65,49 (*a*)	*12·8*
Assam	78,18	*17·4*	80,84	*18·0*
Bihar	1,65,31	*8·2*	1,84,45	*9·2*
Bombay	3,53,22	*19·6*	3,32,89	*18·5*
Hyderabad	1,36,34	*14·6*	1,26,94	*13·6*
Madhya Bharat	68,85	*17·2*	68,16	*17.2*
Madhya Pradesh	1,24,62	*11·8*	1,19,26	*11·3*
Madras	2,34,10 (*b*)	*11·5*	2,52,69 (*b*)	*12·4*
Mysore	81,11	*17·1*	78,98	*16·6*
Orissa	66,95	*9·2*	72,38	*9·9*
Pepsu	35,95	*20·5*	35,38	*20.0*
Punjab	1,02,30	*16·2*	93,69	*14·9*
Rajasthan	98,04	*12·8*	92,42	*12·1*
Saurashtra	53,83	*26·3*	56,45	*27·5*
Travancore-Cochin	87,56	*18·8*	74,46	*16·0*
Uttar Pradesh	3,36,21	*10·6*	3,09,21	*9·8*
West Bengal	2,05,62	*16·6*	2,28,33	*18·4*
Jammu and Kashmir	25,28	*11·5*	24,46	*11·1*
Ajmer	8,29	*23·7*	8,80	*25·1*
Bhopal	11,53	*28·8*	12,16	*30·4*
Coorg	4,83	*48·3*	4,94	*49·4*
Vindhya Pradesh	19,12	*10·6*	19,19	*10·7*
Kutch	1,96	*6·5*	5,49	*1∞·3*
TOTAL	23,53,34	*13·4*	23,47,06	*13·4*

(*a*) Figures are for 2½ years from 1st October 1953.

(*b*) Figures for 1951-52 and 1952-53 are for composite State, for 1953-54 are for the last six months and for 1954-55 and 1955-56 are for the State after separation of Andhra.

NOTE.—*Per capita* revenue and expenditure are annual averages for the period.

5 (*a*). *Composition of Revenue of*

Percentages to the Total Revenue of respective States are given

	Agricultural Income Tax	Land Revenue	State Excise	Stamps	Registration	Sales Taxes (including sales taxes on motor spirit)
Andhra	..	..	..	..	..	..
	..	..	..	..	..	..
Assam	91	181	121	29	5	99
	8·1	*16·0*	*10·7*	*2·6*	*0·4*	*8·8*
Bihar	56	145	519	224	63	422
	2·0	*5·1*	*18·4*	*7·9*	*2·2*	*14·9*
Bombay	..	614	92	414	31	1259
	..	*10·2*	*1·5*	*6·8*	*0·5*	*20.8*
Hyderabad	10	482	946	51	8	106
	0·3	*16·1*	*31·7*	*1·7*	*0·3*	*3·5*
Madhya Bharat	..	253	185	41	2	92
	..	*22·4*	*16·4*	*3·6*	*0·2*	*8·1*
Madhya Pradesh	..	439	256	107	24	265
	..	*19·3*	*11·2*	*4·7*	*1·1*	*11·6*
Madras	..	657	41	454	110	1689
	..	*11·2*	*0·7*	*7·7*	*1·9*	*28·7*
Mysore	..	131	207	46	10	160
	..	*9·3*	*14·7*	*3·3*	*0·7*	*11·3*
Orissa	13	103	200	69	12	126
	1·1	*8·6*	*16·7*	*5·8*	*1·0*	*10·6*
Pepsu	..	90	235	19	4	50
	..	*14·8*	*38·6*	*3·1*	*0·6*	*8·2*
Punjab	..	198	278	59	9	192
	..	*11·3*	*15·8*	*3·4*	*0·5*	*10·9*
Rajasthan	..	315	299	47	4	..
	..	*20·3*	*19·3*	*3·0*	*0·3*	..
Saurashtra	..	152	17	23	9	23
	..	*20.2*	*2·2*	*3·1*	*1·2*	*3·1*
Travancore-Cohin	99	71	240	89	30	244
	5·5	*4·0*	*13·4*	*5·0*	*1·7*	*13·6*
Uttar Pradesh	100	758	632	234	27	528
	1·9	*14·7*	*12·3*	*4·5*	*0·5*	*10·3*
West Bengal	64	210	672	293	45	672
	1·7	*5·5*	*17·5*	*7·7*	*1·2*	*17·5*
Jammu and Kashmir	..	62	22	6	..	5
	..	*13·5*	*4·8*	*1·3*	..	*1·1*
Ajmer	..	3	32	5	..	..
	..	*5·9*	*62·7*	*9.8*	..	..
Bhopal	..	44	18	2	..	..
	..	*47·8*	*19·6*	*2·2*	..	..
Coorg	3	4	11	2	..	1
	4·9	*6·6*	*18·0*	*3·3*	..	*1·6*
Vindhya Pradesh	..	83	31	6	..	19
	..	*33·1*	*12·3*	*2·4*	..	*7·6*
Kutch	..	31	4	2	..	..
	..	*63·3*	*8·1*	*4·1*	..	..
TOTAL	436	5026	5058	2222	393	5952
	1·1	*12·2*	*12·2*	*5·4*	*1·0*	*14·4*

(*a*) Includes receipts on account of internal customs.

States in 1951-52.
against each head in *italics*.

(Rupees in lakhs)

Other Taxes and Duties	Total Tax Revenue	Share of Income Tax	Share of Union Excise Duties	Statutory Grants from the Union	Grants under Article 282	Other Items of Revenue	Total Revenue
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
49	575	157	..	139	24	234	1129
4·4	*51·0*	*13·9*	..	*12·3*	*2·1*	*20·7*	
66	1495	654	..	54	171	456	2830
2·4	*52·9*	*23·1*	..	*1·9*	*6·0*	*16·1*	
949	3359	1099	..	143	65	1385	6051
15·7	*55·5*	*18·1*	..	*2·4*	*1·1*	*22·9*	
417(*a*)	2020	..	..	120	96	751	2987
14·0	*67·6*	..	..	*4·0*	*3·2*	*25·2*	
141(*a*)	714	6	..	4	15	391	1130
12·5	*63·2*	*0·5*	..	*0·4*	*1·3*	*34·6*	
89	1180	314	..	67	17	702	2280
3·9	*51·8*	*13·8*	..	*2·9*	*0·7*	*30·8*	
623	3574	915	..	4	104	1278	5875
10·6	*60·8*	*15·6*	..	*0·1*	*1·8*	*21·7*	
81	635	..	..	345	53	378	1411
5·7	*45·0*	..	..	*24·4*	*3·8*	*26·8*	
17	540	157	..	75	59	365	1196
1·4	*45·2*	*13·1*	..	*6·3*	*4·9*	*30·5*	
31	429	15	..	..	19	146	609
5·1	*70·4*	*2·5*	..	..	*3·1*	*24·0*	
74	810	288	..	..	26	632	1756
4·2	*46·1*	*16·4*	..	..	*1·5*	*36·0*	
445(*a*)	1110	13	..	5	..	423	1551
28·7	*71·6*	*0·8*	..	*0·3*	..	*27·3*	
67(*a*)	291	..	..	300	5	156	752
8·9	*38·7*	..	..	*39·9*	*0·7*	*20·7*	
97	870	..	..	363	..	558	1791
5·4	*48·6*	..	..	*20·3*	..	*31·1*	
454	2733	942	..	..	92	1384	5151
8·8	*53·0*	*18·3*	..	..	*1·8*	*26·9*	
374	2330	706	..	156	31	606	3829
9·8	*60·9*	*18·4*	..	*4·1*	*0·8*	*15·8*	
174(*b*)	269	..	..	..	1	190	460
37·8	*58·5*	..	..	..	*0·2*	*41·3*	
1	41	..	..	..	..	10	51
2·0	*80·4*	..	..	..	..	*19·6*	
4	68	..	..	..	..	24	92
4·3	*73·9*	..	..	..	..	*26·1*	
5	26	..	..	..	2	33	61
8·2	*42·6*	..	..	..	*3·3*	*54·1*	
6	145	..	..	..	..	106	251
2·4	*57·8*	..	..	..	..	*42·2*	
2	39	..	..	..	..	10	49
4·1	*79·6*	..	..	..	..	*20·4*	
4166	23253	5266	..	1775	780	10218	41292
10·0	*56·3*	*12·8*	..	*4·3*	*1·9*	*24·7*	

(*b*) Includes receipts on account of customs and income tax.

5 (*b*). *Composition of revenue*

Percentages to Total Revenue of

	Agricultural Income Tax	Land Revenue	State Excise	Stamps	Registration	Sales Taxes (including sales taxes on motor spirit)
Andhra	..	..	..	..	..	..
	..	..	..	..	..	..
Assam	108	204	120	30	5	104
	7·6	*14·3*	*8·4*	*2·1*	*0·3*	*7·3*
Bihar	46	239	471	237	60	413
	1·5	*7·9*	*15·6*	*7·8*	*2·0*	*13·7*
Bombay	..	600	95	387	29	1187
	..	*10·0*	*1·6*	*6·5*	*0·5*	*19·8*
Hyderabad	3	435	856	55	8	189
	0·1	*16·3*	*32·0*	*2·1*	*0·3*	*7·0*
Madhya Bharat	..	324	147	39	1	101
	..	*27·9*	*12·6*	*3·4*	*0·1*	*8·7*
Madhya Pradesh	..	516	254	107	23	254
	..	*21·8*	*10·7*	*4·5*	*1·0*	*10·7*
Madras	..	600	47	452	101	1493
	..	*10·4*	*0·8*	*7·8*	*1·7*	*25·7*
Mysore	..	129	180	44	10	138
	..	*8·6*	*12·0*	*2·9*	*0·6*	*9·2*
Orissa	6	114	181	76	12	128
	0·5	*9·0*	*14·3*	*6·0*	*1·0*	*10·1*
Pepsu	..	101	196	19	4	50
	..	*16·4*	*31·8*	*3·1*	*0·6*	*8·1*
Punjab	..	191	229	62	9	193
	..	*10·6*	*12·7*	*3·4*	*0·5*	*10·7*
Rajasthan	..	408	236	51	2	..
	..	*22·5*	*13·0*	*2·8*	*0·1*	..
Saurashtra	..	290	9	21	7	23
	..	*29·5*	*0·9*	*2·1*	*0·7*	*2·3*
Travancore-Cochin	96	72	243	83	27	224
	5·8	*4·3*	*14·6*	*5·0*	*1·6*	*13·5*
Uttar Pradesh	71	1161	597	248	27	489
	1·2	*20·1*	*10·3*	*4·3*	*0·5*	*8·4*
West Bengal	61	205	576	285	45	629
	1·6	*5·5*	*15·5*	*7·7*	*1·2*	*16·9*
Jammu and Kashmir	..	74	23	7	..	3
	..	*14·9*	*4·6*	*1·4*	..	*0·6*
Ajmer	..	4	26	4	..	..
	..	*1·9*	*12·1*	*1·9*	..	..
Bhopal	..	43	15	2	..	..
	..	*21·1*	*7·4*	*1·0*	..	..
Coorg	14	4	11	3	..	1
	16·1	*4·6*	*12·7*	*3·4*	..	*1·1*
Vindhya Pradesh	..	78	28	6	..	16
	..	*34·4*	*12·3*	*2·6*	..	*7·1*
Kutch	..	13	4	4	1	..
	..	*44·8*	*13·8*	*13·8*	*3·5*	..
TOTAL	405	5805	4544	2222	371	5635
	0·9	*13·5*	*10·6*	*5·2*	*0·9*	*13·2*

(*a*) Includes receipts on account of internal customs.

of *States in* **1952-53**

respective States are given against each head in *italics*.

(Rupees in lakhs)

Other Taxes and Duties	Total Tax Revenue	Share of Income Tax	Share of Union Excise Duties	Statutory Grants from the Union	Grants under Article 282	Other Items of Revenue	Total Revenue
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	
49	620	139	46	244	34	345	1428
3·4	*43·4*	*9·7*	*3·2*	*17·1*	*2·4*	*24·2*	
73	1539	599	204	92	108	480	3022
2·4	*50·9*	*19·8*	*6·8*	*3·0*	*3·6*	*15·9*	
920	3218	1067	182	8	127	1377	5979
15·4	*53·8*	*17·9*	*3·1*	*0·1*	*2·1*	*23·0*	
312(*a*)	1858	247	95	6	28	440	2674
11·7	*69·5*	*9·2*	*3·6*	*0·2*	*1·0*	*16·5*	
123(*a*)	735	96	40	8	17	266	1162
10·6	*63·3*	*8·2*	*3·4*	*0·7*	*1·5*	*22·9*	
91	1245	319	108	17	26	651	2366
3·9	*52·6*	*13·5*	*4·6*	*0·7*	*1·1*	*27·5*	
635	3328	942	289	9	65	1169	5802
11·0	*57·4*	*16·2*	*5·0*	*0·2*	*1·1*	*20·1*	
84	585	..	..	385	4	530	1504
5·6	*38·9*	..	..	*25·6*	*0·3*	*35·2*	
16	533	208	74	112	60	275	1262
1·3	*42·2*	*16·5*	*5·9*	*8·9*	*4·7*	*21·8*	
30	400	41	..	..	8	168	617
4·8	*64·8*	*6·7*	..	..	*1·3*	*27·2*	
99	783	206	64	127	10	614	1804
5·5	*43·4*	*11·4*	*3·6*	*7·0*	*0·6*	*34·0*	
405(*a*)	1102	192	77	5	18	420	1814
22·3	*60·7*	*10·6*	*4·2*	*0·3*	*1·0*	*23·2*	
56(*a*)	406	..	..	315	29	233	983
5·7	*41·3*	..	..	*32·0*	*3·0*	*23·7*	
90	835	..	..	350	7	471	1663
5·4	*50·2*	..	..	*21·1*	*0·4*	*28·3*	
454	3047	956	320	..	123	1345	5791
7·8	*52·6*	*16·5*	*5·5*	..	*2·2*	*23·2*	
411	2212	686	126	230	49	414	3717
11·1	*59·5*	*18·5*	*3·4*	*6·2*	*1·3*	*11·1*	
184(*b*)	291	..	..	..	..	206	497
37·0	*58·5*	..	..	..	..	*41·5*	
1	35	..	..	..	166	13	214
0·5	*16·4*	..	..	..	*77·5*	*6·1*	
4	64	..	..	..	105	34	203
2·0	*31·5*	..	..	..	*51·7*	*16·8*	
5	38	..	..	..	7	42	87
5·8	*43·7*	..	..	..	*8·0*	*48·3*	
7	135	..	..	..	2	90	227
3·1	*59·5*	..	..	..	*0·9*	*39·6*	
2	24	..	..	..	..	5	29
6·9	*82·8*	..	..	..	..	*17·2*	
4051	23033	5698	1625	1908	993	9588	42845
9·5	*53·8*	*13·3*	*3·8*	*4·4*	*2·3*	*22·4*	

(*b*) Includes receipts on account of customs and income tax.

5(c). *Composition of revenue*
Percentages to Total Revenue of

	Agricultural Income Tax	Land Revenue	State Excise	Stamps	Registration	Sales Taxes (including sales taxes on motor spirit)
Andhra	..	229	2	98	13	162
	..	*20·4*	*0·2*	*8·7*	*1·2*	*14·5*
Assam	93	191	125	31	5	104
	6·5	*13·3*	*8·7*	*2·2*	*0·3*	*7·3*
Bihar	41	331	449	240	59	386
	1·2	*10·0*	*13·5*	*7·2*	*1·8*	*11·6*
Bombay	..	638	97	402	32	1666
	..	*8·9*	*1·4*	*5·6*	*0·4*	*23·3*
Hyderabad	3	505	786	55	8	228
	0·1	*19·8*	*30·7*	*2·2*	*0·3*	*8·9*
Madhya Bharat	..	378	170	41	2	119
	..	*26·4*	*11·9*	*2·9*	*0·2*	*8·3*
Madhya Pradesh	..	522	229	107	24	258
	..	*21·4*	*9·4*	*4·4*	*1·0*	*10·6*
Madras	..	299	12	150	28	481
	..	*13·2*	*0·5*	*6·6*	*1·2*	*21·1*
Mysore	..	116	166	55	12	155
	..	*7·5*	*10·7*	*3·5*	*0·8*	*10·0*
Orissa	5	148	167	77	13	129
	0·4	*12·1*	*13·6*	*6·3*	*1·0*	*10·5*
Pepsu	..	118	203	20	4	57
	..	*16·9*	*29·1*	*2·8*	*0·6*	*8·2*
Punjab	..	210	244	65	10	239
	..	*10·4*	*12·1*	*3·2*	*0·5*	*11·8*
Rajasthan	..	378	251	55	3	..
	..	*20·1*	*13·4*	*2·9*	*0·2*	..
Saurasthra	..	329	8	24	9	85
	..	*30·9*	*0·8*	*2·3*	*0·8*	*8·0*
Travancore-Cochin	87	71	227	81	27	236
	5·2	*4·2*	*13·4*	*4·8*	*1·6*	*14·0*
Uttar Pradesh	54	2017	578	273	29	538
	0·7	*27·9*	*8·0*	*3·8*	*0·4*	*7·4*
West Bengal	72	217	515	272	46	651
	1·9	*5·7*	*13·6*	*7·2*	*1·2*	*17·2*
Jammu and Kashmir	..	59	13	7	..	5
	..	*12·1*	*2·7*	*1·4*	..	*1·0*
Ajmer	..	5	30	4	..	..
	..	*3·1*	*18·5*	*2·5*	..	..
Bhopal	..	47	17	3	..	..
	..	*20·9*	*7·6*	*1·3*	..	..
Coorg	21	4	12	3	..	1
	20·2	*3·8*	*11·5*	*2·9*	..	*1·0*
Vindhya Pradesh	1	88	28	8	..	17
	0·2	*19·1*	*6·1*	*1·8*	..	*3·7*
Kutch	..	21	4	3	1	..
	..	*52·5*	*10·0*	*7·5*	*2·5*	..
TOTAL	377	6921	4333	2074	325	5517
	0·8	*15·6*	*9·8*	*4·7*	*0·7*	*12·4*

(*a*) Includes receipts on account of internal customs.

of States in 1953-54

respective States are given against each head in *italics*.

(Rupees in lakhs)

Other Taxes and Duties	Total Tax Revenue	Share of Income Tax	Share of Union Excise Duties	Statutory Grants from the Union	Grants under Article 282	Other Items of Revenue	Total Revenue
97	601	176	46	8	36	255	1122
8·6	*53·6*	*15·7*	*4·1*	*0·7*	*3·2*	*22·7*	
56	605	140	43	290	39	317	1434
3·9	*42·2*	*9·8*	*3·0*	*20·2*	*2·7*	*22·1*	
82	1588	603	193	138	167	636	3325
2·5	*47·8*	*18·1*	*5·8*	*4·2*	*5·0*	*19·1*	
953	3788	1076	172	13	232	1874	7155
13·3	*52·9*	*15·0*	*2·4*	*0·2*	*3·3*	*26·2*	
133(*a*)	1718	250	90	23	16	459	2556
5·2	*67·2*	*9·8*	*3·5*	*0·9*	*0·6*	*18·0*	
159(*a*)	869	97	38	16	35	375	1430
11·1	*60·8*	*6·8*	*2·7*	*1·1*	*2·4*	*26·2*	
93	1233	321	105	45	62	673	2439
3·8	*50·6*	*13·2*	*4·3*	*1·8*	*2·5*	*27·6*	
221	1191	307	81	1	35	662	2277
9·7	*52·3*	*13·5*	*3·6*	..	*1·5*	*29·1*	
109	613	7	2	387	18	526	1553
7·0	*39·5*	*0·5*	*0·1*	*24·9*	*1·1*	*33·9*	
18	557	209	72	128	22	239	1227
1·5	*45·4*	*17·0*	*5·9*	*10·4*	*1·8*	*19·5*	
31	433	42	34	5	21	163	698
4·4	*62·0*	*6·0*	*4·9*	*0·7*	*3·0*	*23·4*	
131	899	208	61	144	48	660	2020
6·5	*44·5*	*10·3*	*3·0*	*7·1*	*2·4*	*32·7*	
431(*a*)	1118	194	73	24	60	408	1877
23·0	*59·6*	*10·3*	*3·9*	*1·3*	*3·2*	*21·7*	
52(*a*)	507	..	..	316	40	201	1064
4·9	*47·7*	..	..	*29·7*	*3·7*	*18·9*	
94	823	..	..	325	10	529	1687
5·6	*48·8*	..	..	*19·3*	*0·6*	*31·3*	
785	4274	964	303	..	214	1485	7240
10·8	*59·0*	*13·3*	*4·2*	..	*3·0*	*20·5*	
410	2183	692	119	240	88	458	3780
10·9	*57·7*	*18·3*	*3·2*	*6·4*	*2·3*	*12·1*	
186(*b*)	270	..	..	..	..	219	489
38·0	*55·2*	..	..	..	..	*44·8*	
1	40	..	..	..	115	7	162
0·6	*24·7*	..	..	..	*71·0*	*4·3*	
4	71	..	..	..	98	56	225
1·8	*31·6*	..	..	..	*43·5*	*24·9*	
6	47	..	..	..	6	51	104
5·8	*45·2*	..	..	..	*5·8*	*49·0*	
7	149	..	..	..	221	90	460
1·5	*32·4*	..	..	..	*48·0*	*19·6*	
2	31	..	..	..	..	9	40
5·0	*77·5*	..	..	..	..	*22·5*	
4061	23608	5286	1432	2103	1583	10352	44364
9·2	*53·2*	*11·9*	*3·2*	*4·8*	*3·6*	*23·3*	

(*b*) Includes receipts on account of customs and income tax.

5(*d*). *Composition of revenue*

Percentages to Total Revenue of

	Agricultural Income Tax	Land Revenue	State Excise	Stamps	Registration	Sales Taxes (including sales taxes on motor spirit)
Andhra	..	470	7	154	33	329
	..	*23·9*	*0·4*	*7·8*	*1·7*	*16·8*
Assam	87	185	167	30	5	120
	5·4	*11·4*	*10·3*	*1·8*	*0·3*	*7·4*
Bihar	25	361	459	227	52	385
	0·7	*10·1*	*12·8*	*6·3*	*1·4*	*10·8*
Bombay	..	710	88	450	32	2261
	..	*9·2*	*1·2*	*5·8*	*0·4*	*29·3*
Hyderabad	2	556	726	50	6	285
	0·1	*20·3*	*26·5*	*1·8*	*0·2*	*10·4*
Madhya Bharat	..	402	158	31	2	130
	..	*27·1*	*10·6*	*2·1*	*0·1*	*8·7*
Madhya Pradesh	..	483	206	107	22	313
	..	*18·9*	*8·1*	*4·2*	*0·9*	*12·3*
Madras	..	425	27	263	60	1011
	..	*9·9*	*0·6*	*6·2*	*1·4*	*23·6*
Mysore	..	154	169	68	11	177
	..	*9·3*	*10·2*	*4·1*	*0·7*	*10·7*
Orissa	3	126	157	76	13	151
	0·2	*9·0*	*11·2*	*5·4*	*0·9*	*10·8*
Pepsu	..	109	237	22	4	65
	..	*14·3*	*31·1*	*2·9*	*0·5*	*8·5*
Punjab	..	218	267	70	10	275
	..	*9·8*	*12·0*	*3·1*	*0·5*	*12·3*
Rajasthan	4	414	281	55	4	9
	0·2	*18·6*	*12·6*	*2·5*	*0·2*	*0·4*
Saurashtra	..	304	8	23	9	105
	..	*24·5*	*0·6*	*1·9*	*0·7*	*8·5*
Travancore-Cochin	149	75	218	76	23	238
	8·5	*4·3*	*12·5*	*4·3*	*1·3*	*13·6*
Uttar Pradesh	62	1969	559	284	31	596
	0·9	*26·5*	*7·5*	*3·8*	*0·4*	*8·0*
West Bengal	126	120	504	293	51	758
	3·0	*2·8*	*11·9*	*6·9*	*1·2*	*17·9*
Jammu and Kashmir	..	50	16	8	..	7
	..	*9·7*	*3·1*	*1·5*	..	*1·4*
Ajmer	..	4	29	4	..	..
	..	*2·5*	*18·5*	*2·5*	..	..
Bhopal	1	52	17	3	..	..
	0·4	*19·3*	*6·3*	*1·1*	..	..
Coorg	18	5	12	2	..	1
	16·8	*4·7*	*11·2*	*1·9*	..	*0·9*
Vindhya Pradesh	2	91	30	8	..	18
	0·5	*21·6*	*7·1*	*1·9*	..	*4·3*
Kutch	..	19	5	3	1	..
	..	*52·8*	*13·9*	*8·3*	*2·8*	..
Total	479	7302	4347	2307	369	7234
	0·9	*14·5*	*8·6*	*4·6*	*0·7*	*14·4*

(*a*) Includes receipts on account of internal customs.

of States in 1954-55

respective States are given against each head in *italics*.

(Rupees in lakhs)

Other Taxes and Duties	Total Tax Revenue	Share of Income Tax	Share of Union Excise Duties	Statutory Grants from the Union	Grants under Article 282	Other Items of Revenue	Total Revenue
211 *10·7*	1204 *61·3*	326 *16·6*	96 *4·9*	12 *0·6*	64 *3·3*	262 *13·3*	1964
114 *7·0*	708 *43·6*	133 *8·2*	42 *2·6*	354 *21·8*	44 *2·7*	342 *21·1*	1623
92 *2·6*	1601 *44·7*	579 *16·2*	187 *5·2*	161 *4·5*	537 *15·0*	515 *14·4*	3580
983 *12·7*	4524 *58·6*	1039 *13·4*	168 *2·2*	28 *0·4*	147 *1·9*	1819 *23·5*	7725
96(*a*) *3·5*	1721 *62·8*	267 *9·7*	87 *3·2*	28 *1·0*	59 *2·2*	579 *21·1*	2741
132(*a*) *8·9*	855 *57·5*	104 *7·0*	37 *2·5*	25 *1·7*	122 *8·2*	343 *23·1*	1486
98 *3·8*	1229 *48·2*	312 *12·2*	99 *3·9*	61 *2·4*	128 *5·0*	722 *28·3*	2551
472 *11·0*	2258 *52·7*	567 *13·2*	167 *3·9*	2 ..	159 *3·7*	1133 *26·5*	4286
115 *7·0*	694 *42·0*	12 *0·7*	4 *0·2*	386 *23·3*	34 *2·1*	524 *31·7*	1654
23 *1·7*	549 *39·2*	208 *14·9*	68 *4·9*	145 *10·4*	136 *9·7*	293 *20·9*	1399
33 *4·3*	470 *61·6*	45 *5·9*	16 *2·1*	6 *0·8*	46 *6·0*	180 *23·6*	763
147 *6·6*	987 *44·3*	193 *8·7*	59 *2·6*	148 *6·6*	158 *7·1*	685 *30·7*	2230
426(*a*) *19·2*	1193 *53·7*	208 *9·4*	71 *3·2*	42 *1·9*	271 *12·2*	435 *19·6*	2220
53(*a*) *4·3*	502 *40·5*	.. ..	.. ..	316 *25·5*	193 *15·6*	228 *18·4*	1239
101 *5·8*	880 *50·3*	.. ..	.. ..	326 *18·6*	20 *1·1*	525 *30·0*	1751
646 *8·7*	4147 *55·8*	935 *12·6*	295 *4·0*	.. ..	359 *4·8*	1698 *22·8*	7434
432 *10·2*	2284 *53·9*	668 *15·8*	116 *2·7*	242 *5·7*	248 *5·9*	677 *16·0*	4235
18(*b*) *3·5*	99 *19·2*	.. ..	.. ..	.. ..	242 *47·0*	174 *33·8*	515
3 *1·9*	40 *25·5*	.. ..	.. ..	.. ..	110 *70·1*	7 *4·4*	157
5 *1·8*	78 *28·9*	.. ..	.. ..	.. ..	145 *53·7*	47 *17·4*	270
7 *6·6*	45 *42·1*	.. ..	.. ..	.. ..	15 *14·0*	47 *43·9*	107
8 *1·9*	157 *37·3*	.. ..	.. ..	.. ..	135 *32·1*	129 *30·6*	421
2 *5·5*	30 *83·3*	.. ..	.. ..	.. ..	.. ..	6 *16·7*	36
4217 *8·4*	26255 *52·1*	5596 *11·1*	1512 *3·0*	2282 *4·5*	3372 *6·7*	11370 *22·6*	50387

(*b*) Includes receipts on account of customs and income tax.

5(*e*). *Composition of revenue*

Percentages to Total Revenue of respective

	Agricultural Income Tax	Land Revenue	State Excise	Stamps	Registration	Sales Taxes (including sales taxes on motor spirit)
Andhra	..	498	10	200	37	370
	..	*21·4*	*0·4*	*8·6*	*1·6*	*15·9*
Assam	176	205	198	32	5	153
	8·0	*9·3*	*9·0*	*1·5*	*0·2*	*6·9*
Bihar	13	529	458	210	50	382
	0·4	*14·0*	*12·1*	*5·6*	*1·3*	*10·1*
Bombay	..	781	76	444	33	2417
	..	*9·3*	*0·9*	*5·3*	*0·4*	*28·7*
Hyderabad	5	514	724	52	8	325
	0·2	*19·2*	*27·1*	*1·9*	*0·3*	*12·1*
Madhya Bharat	..	426	163	34	4	150
	..	*25·4*	*9·7*	*2·0*	*0·2*	*9·0*
Madhya Pradesh	..	453	208	103	20	318
	..	*16·0*	*7·4*	*3·6*	*0·7*	*11·3*
Madras	142	432	29	360	70	1124
	2·7	*8·4*	*0·6*	*7·0*	*1·3*	*21·7*
Mysore	1	180	181	68	12	201
	0·1	*9·0*	*9·1*	*3·4*	*0·6*	*10·1*
Orissa	2	124	143	47	12	146
	0·1	*7·7*	*8·9*	*2·9*	*0·7*	*9·1*
Pepsu	..	92	241	25	4	66
	..	*10·1*	*26·5*	*2·8*	*0·4*	*7·3*
Punjab	..	182	290	81	14	285
	..	*7·5*	*12·0*	*3·3*	*0·6*	*11·8*
Rajasthan	4	501	268	60	6	146
	0·2	*21·4*	*11·4*	*2·6*	*0·3*	*6·2*
Saurashtra	..	291	6	24	10	133
	..	*21·6*	*0·5*	*1·8*	*0·7*	*9·9*
Travancore-Cochin	168	70	196	81	25	236
	9·0	*3·8*	*10·5*	*4·3*	*1·3*	*12·7*
Uttar Pradesh	70	1961	582	290	30	620
	0·9	*24·5*	*7·3*	*3·6*	*0·4*	*7·7*
West Bengal	154	390	504	304	51	904
	3·1	*7·8*	*10·1*	*6·1*	*1·0*	*18·0*
Jammu and Kashmir	..	55	20	10	..	8
	..	*9·7*	*3·5*	*1·8*	..	*1·4*
Ajmer	..	4	32	4	..	2
	..	*1·6*	*13·1*	*1·6*	..	*0·8*
Bhopal	1	54	18	3	..	..
	0·3	*14·9*	*5·0*	*0·8*	..	..
Coorg	26	6	11	3	..	1
	21·0	*4·8*	*8·9*	*2·4*	..	*0·8*
Vindhya Pradesh	2	114	33	8	..	23
	0·4	*20·6*	*6·0*	*1·4*	..	*4·2*
Kutch	..	10	4	3	1	13
	..	*23·8*	*9·5*	*7·1*	*2·4*	*31·0*
Total	764	7872	4395	2446	392	8023
	1·4	*13·9*	*7·8*	*4·3*	*0·7*	*14·2*

of States in 1955-56.

States are given against each head in *italics*.

(Rupees in lakhs)

Other Taxes and Duties	Total Tax Revenu	Share of Income Tax	Share of Union Excise Duties	Statutory Grants from the Union	Grants under Article 282	Other Items of Revenue	Total Revenue
250	1365	321	105	13	115	409	2328
10·7	*58·6*	*13·8*	*4·5*	*0·6*	*4·9*	*17·6*	
251	1020	132	46	382	190	434	2204
11·4	*46·3*	*6·0*	*2·1*	*17·3*	*8·6*	*19·7*	
111	1753	571	205	189	408	648	3774
3·0	*46·5*	*15·1*	*5·4*	*5·0*	*10·8*	*17·2*	
1094	4845	1024	184	28	361	1970	8412
13·0	*57·6*	*12·2*	*2·2*	*0·3*	*4·3*	*23·4*	
59	1687	263	95	36	120	475	2676
2·2	*63·0*	*9·8*	*3·6*	*1·3*	*4·5*	*17·8*	
32	809	103	41	24	118	582	1677
1·9	*48·2*	*6·2*	*2·5*	*1·4*	*7·0*	*34·7*	
116	1218	307	109	76	279	837	2826
4·1	*43·1*	*10·9*	*3·8*	*2·7*	*9·9*	*29·6*	
543	2700	560	183	2	423	1302	5170
10·5	*52·2*	*10·8*	*3·6*	..	*8·2*	*25·2*	
163	806	12	4	386	59	722	1989
8·2	*40·5*	*0·6*	*0·2*	*19·4*	*3·0*	*36·3*	
53	527	217	75	166	325	301	1611
3·3	*32·7*	*13·5*	*4·6*	*10·3*	*20·2*	*18·7*	
39	467	44	18	17	112	250	908
4·3	*51·4*	*4·9*	*2·0*	*1·9*	*12·3*	*27·5*	
173	1025	190	65	154	253	733	2420
7·2	*42·4*	*7·8*	*2·7*	*6·3*	*10·5*	*30·3*	
55	1040	205	78	39	136	844	2342
2·3	*44·4*	*8·8*	*3·3*	*1·7*	*5·8*	*36·0*	
31	495	..	..	318	246	286	1345
2·3	*36·8*	..	..	*23·6*	*18·3*	*21·3*	
106	882	..	..	327	95	560	1864
5·7	*47·3*	..	..	*17·6*	*5·1*	*30·0*	
623	4176	922	323	..	575	2009	8005
7·8	*52·2*	*11·5*	*4·0*	..	*7·2*	*25·1*	
505	2812	658	127	246	466	692	5001
10·1	*56·2*	*13·2*	*2·6*	*4·9*	*9·3*	*13·8*	
—4	89	..	..	..	267	211	567
(—)	*15·7*	..	..	..	*47·1*	*37·2*	
5	47	..	..	..	186	12	245
2·1	*19·2*	..	..	..	*75·9*	*4·9*	
6	82	..	..	..	245	36	363
1·6	*22·6*	..	..	..	*67·5*	*9·9*	
9	56	..	..	..	13	55	124
7·3	*45·2*	..	..	..	*10·5*	*44·3*	
8	188	..	..	..	240	125	553
1·4	*34·0*	..	..	..	*43·4*	*22·6*	
2	33	..	..	..	..	9	42
4·8	*78·6*	..	..	..	..	*21·4*	
4230	28122	5529	1658	2403	5232	13502	56446
7·5	*49·8*	*9·8*	*2·9*	*4·3*	*9·3*	*23·9*	

6. *Tax revenue of States—*
Per capita figures (in rupees)

	Tax Revenue excluding Income Tax & Union Excise							
	1951-52		1952-53		1953-54		1954-55	
Andhra .	..	..	..	..	601*	5·8	1204	5·9
Assam .	575	6·4	620	6·9	605	6·7	708	7·9
Bihar .	1495	3·7	1539	3·8	1588	4·0	1601	4·0
Bombay .	3359	9·3	3218	8·9	3788	10·5	4524	12·6
Hyderabad .	2020	10·8	1858	9·9	1718	9·2	1721	9·2
Madhya Bharat	714	8·9	735	9·2	869	10·9	855	10·7
Madhya Pradesh	1180	5·5	1245	5·8	1233	5·8	1229	5·8
Madras .	3574	6·3	3328	5·8	1191*	6·6	2258	6·3
Mysore .	635	7·0	585	6·4	613	6·2	694	7·0
Orissa .	540	3·7	533	3·7	557	3·8	549	3·8
Pepsu .	429	12·3	400	11·4	433	12·4	470	13·4
Punjab .	810	6·4	783	6·2	899	7·1	987	7·8
Rajasthan .	1110	7·3	1102	7·2	1118	7·3	1193	7·8
Saurashtra .	291	7·1	406	9·9	507	12·4	502	12·3
Travancore-Cochin .	870	9·4	835	9·0	823	8·8	880	9·5
Uttar Pradesh .	2733	4·3	3047	4·8	4274	6·8	4147	6·6
West Bengal .	2330	9·4	2212	8·9	2183	8·8	2284	9·2
Jammu and Kashmir .	269	6·1	291	6·6	270	6·1	99	2·3
Ajmer .	41	5·9	35	5·0	40	5·7	40	5·7
Bhopal .	68	8·5	64	8·0	71	8·9	78	9·8
Coorg .	26	13·0	38	19·0	47	23·5	45	22·5
Vindhya Pradesh .	145	4·0	135	3·8	149	4·1	157	4·4
Kutch .	39	6·5	24	4·0	31	5·2	30	5·0
Total	23253	6·5	23033	6·5	23608	7·1	26255	7·4

*Per capita figures have been arrived at by doubling

1951-52 *to* 1955-56.

are given in *italics.*

(Rupees in lakhs)

Duties		Tax Revenue including Income Tax & Union Excise Duties									
1955-56		1951-52		1952-53		1953-54		1954-55		1955-56	
1365	*6·7*	..	..	..	..	823*	*8·0*	1626	*7·9*	1791	*8·7*
1020	*11·3*	732	*8·1*	805	*8·9*	788	*8·8*	883	*9·8*	1198	*13·3*
1753	*4·4*	2149	*5·3*	2342	*5·8*	2384	*5·9*	2367	*5·9*	2529	*6·3*
4845	*13·5*	4458	*12·4*	4467	*12·4*	5036	*14·0*	5731	*15·9*	6053	*16·8*
1687	*9·0*	2020	*10·8*	2200	*11·8*	2058	*11·0*	2075	*11·1*	2045	*10·9*
809	*10·1*	720	*9·0*	871	*10·9*	1004	*12·6*	996	*12·5*	953	*11·9*
1218	*5·7*	1494	*7·0*	1672	*7·8*	1659	*7·8*	1640	*7·7*	1634	*7·7*
2700	*7·6*	4489	*7·9*	4559	*8·0*	1579*	*8·8*	2992	*8·4*	3443	*9·6*
806	*8·1*	635	*7·0*	585	*6·4*	622	*6·3*	710	*7·2*	822	*8·3*
527	*3·6*	697	*4·8*	815	*5·6*	838	*5·7*	825	*5·6*	819	*5·6*
467	*13·3*	444	*12·7*	441	*12·6*	509	*14·5*	531	*15·2*	529	*15·1*
1025	*8·1*	1098	*8·7*	1053	*8·4*	1168	*9·3*	1239	*9·8*	1280	*10·2*
1040	*6·8*	1123	*7·3*	1371	*9·0*	1385	*9·1*	1472	*9·6*	1323	*8·6*
495	*12·1*	291	*7·1*	406	*9·9*	507	*12·4*	502	*12·2*	495	*12·1*
882	*9·5*	870	*9·4*	835	*9·0*	823	*8·8*	880	*9·5*	882	*9·5*
4176	*6·6*	3675	*5·8*	4323	*6·8*	5541	*8·8*	5377	*8·5*	5421	*8·6*
2812	*11·3*	3036	*12·2*	3024	*12·2*	2994	*12·1*	3068	*12·4*	3597	*14·5*
89	*2·0*	269	*6·1*	291	*6·6*	270	*6·1*	99	*2·3*	89	*2·0*
47	*6·7*	41	*5·9*	35	*5·0*	40	*5·7*	40	*5·7*	47	*6·7*
82	*10·3*	68	*8·5*	64	*8·0*	71	*8·9*	78	*9·8*	82	*10·3*
56	*28·0*	26	*13·0*	38	*19·0*	47	*23·5*	45	*22·5*	56	*28·0*
188	*5·2*	145	*4·0*	135	*3·8*	149	*4·1*	157	*4·4*	188	*5·2*
33	*5·5*	39	*6·5*	24	*4·0*	31	*5·2*	30	*5·0*	33	*5·5*
28122	*7·9*	28519	*8·0*	30356	*8·5*	30326	*9·2*	33363	*9·3*	35309	*9·9*

the figure of the second half of the year.

7. *Per capita receipts of States under certain heads—*

	Total Tax Revenue (*a*)					Land Revenue				
	1951-52	52-53	53-54	54-55	55-56	1951-52	52-53	53-54	54-55	55-56
Andhra . .	..	..	5·8	5·9	6·7	..	..	2·2	2·3	2·4
Assam . .	6·4	6·9	6·7	7·9	11·3	2·0	2·3	2·1	2·1	2·3
Bihar . .	3·7	3·8	4·0	4·0	4·4	0·4	0·6	0·8	0·9	1·3
Bombay . .	9·3	8·9	10·5	12·6	13·5	1·7	1·7	1·8	2·0	2·2
Hyderabad . .	10·8	9·9	9·2	9·2	9·0	2·6	2·3	2·7	3·0	2·7
Madhya Bharat .	8·9	9·2	10·9	10·7	10·1	3·2	4·1	4·7	5·0	5·3
Madhya Pradesh .	5·5	5·8	5·8	5·8	5·7	2·1	2·4	2·5	2·3	2·1
Madras . .	6·3	5·8	6·6	6·3	7·6	1·2	1·1	1·6	1·2	1·2
Mysore . .	7·0	6·4	6·2	7·0	8·1	1·4	1·4	1·2	1·6	1·8
Orissa . .	3·7	3·7	3·8	3·8	3·6	0·7	0·8	1·0	0·9	0·8
Pepsu . .	12·3	11·4	12·4	13·4	13·3	2·6	2·9	3·4	3·1	2·6
Punjab . .	6·4	6·2	7·1	7·8	8·1	1·6	1·5	1·7	1·7	1·4
Rajasthan . .	7·3	7·2	7·3	7·8	6·8	2·1	2·7	2·5	2·7	3·3
Saurashtra . .	7·1	9·9	12·4	12·3	12·1	3·7	7·1	8·0	7·4	7·1
Travancore-Cochin	9·4	9·0	8·8	9·5	9·5	0·8	0·8	0·8	0·8	0·8
Uttar Pradesh. .	4·3	4·8	6·8	6·6	6·6	1·2	1·8	3·2	3·1	3·1
West Bengal . .	9·4	8·9	8·8	9·2	11·3	0·8	0·8	0·9	0·5	1·6
Jammu and Kashmir	6·1	6·6	6·1	2·3	2·0	1·4	1·7	1·3	1·1	1·3
Ajmer . .	5·9	5·0	5·7	5·7	6·7	0·4	0·6	0·7	0·6	0·6
Bhopal . .	8·5	8·0	8·9	9·8	10·3	5·5	5·4	5·9	6·5	6·8
Coorg . .	13·0	19·0	23·5	22·5	28·0	2·2	2·0	2·0	2·5	3·0
Vindhya Pradesh .	4·0	3·8	4·1	4·4	5·2	2·3	2·2	2·4	2·5	3·2
Kutch . .	6·5	4·0	5·2	5·0	5·5	5·2	2·2	3·5	3·2	1·7
Total	6·5	6·5	7·1	7·4	7·9	1·4	1·6	2·1	2·0	2·2

(*a*) Excluding Income tax and

NOTE.—Per capita figures for 1953-54 in respect of Andhra and Madras have

1951-52, 1952-53, 1953-54, 1954-55 and 1955-56.

(Rupees in lakhs)

State Excise					Stamps					Sales Tax		
1951-52	52-53	53-54	54-55	55-56	1951-52	52-53	53-54	54-55	55-56	1951-52	52-53	53-54
..	..	..	..	..	..	..	1·0	0·8	1·0	..	..	1·6
1·3	1·3	1·4	1·9	2·2	0·3	0·3	0·3	0·3	0·4	1·1	1·2	1·2
1·3	1·2	1·1	1·1	1·1	0·6	0·6	0·6	0·6	0·5	1·0	1·0	1·0
0·3	0·3	0·3	0·2	0·2	1·2	1·1	1·1	1·3	1·2	3·5	3·3	4·6
5·1	4·6	4·2	3·9	3·9	0·3	0·3	0·3	0·3	0·3	0·6	1·0	1·2
2·3	1·8	2·1	2·0	2·0	0·5	0·5	0·5	0·4	0·4	1·2	1·3	1·5
1·2	1·2	1·1	1·0	1·0	0·5	0·5	0·5	0·5	0·5	1·2	1·2	1·2
0·1	0·1	..	0·1	0·1	0·8	0·8	0·8	0·7	1·0	3·0	2·6	2·6
2·3	2·0	1·7	1·7	1·8	0·5	0·5	0·6	0·7	0·7	1·8	1·5	1·6
1·4	1·2	1·1	1·1	1·0	0·5	0·5	0·5	0·5	0·3	0·9	0·9	0·9
5·7	5·6	5·8	6·8	6·9	0·5	0·5	0·6	0·6	0·7	1·4	1·4	1·6
2·2	1·8	1·9	2·1	2·3	0·5	0·5	0·5	0·6	0·6	1·5	1·5	1·9
2·0	1·5	1·6	1·8	1·8	0·3	0·3	0·4	0·4	0·4	..	..	..
0·4	0·2	0·2	0·2	0·1	0·6	0·5	0·6	0·6	0·6	0·6	0·6	2·1
2·6	2·6	2·4	2·3	2·1	1·0	0·9	0·9	0·8	0·9	2·6	2·4	2·5
1·0	0·9	0·9	0·9	0·9	0·4	0·4	0·4	0·4	0·5	0·8	0·8	0·9
2·7	2·3	2·1	2·0	2·0	1·2	1·1	1·1	1·2	1·2	2·7	2·5	2·6
0·5	0·5	0·3	0·4	0·5	0·1	0·2	0·2	0·2	0·2	0·1	0·1	0·1
4·6	3·7	4·3	4·1	4·6	0·7	0·6	0·6	0·6	0·6	..	..	..
2·3	1·9	2·1	2·1	2·3	0·3	0·3	0·4	0·4	0·4	..	..	..
5·5	5·5	6·0	6·0	5·5	1·0	1·5	1·5	1·0	1·5	0·5	0·5	0·5
0·9	0·8	0·8	0·8	0·9	0·2	0·2	0·2	0·2	0·2	0·5	0·4	0·5
0·7	0·7	0·7	0·8	0·7	0·3	0·7	0·5	0·5	0·5	..	..	..
1·4	1·3	1·2	1·2	1·2	0·6	0·6	0·6	0·6	0·7	1·7	1·6	1·7

Union excise duties.

been arrived at by doubling the figures of second half of the year.

7. *Per capita receipts of States under certain heads*—

	Sales Tax (*contd.*)				Forests			Income Tax and	
	54-55	55-56	1951-52	52-53	53-54	54-55	55-56	1951-52	52-53
Andhra . . .	1·6	1·8	..	..	0·2	0·2	0·3	..	..
Assam . . .	1·3	1·7	0·7	0·6	0·7	0·7	1·0	1·7	2·1
Bihar . . .	1·0	1·0	0·2	0·2	0·2	0·2	0·2	1·6	2·0
Bombay . . .	6·3	6·7	0·9	0·8	0·8	1·0	1·0	3·1	3·5
Hyderabad . . .	1·5	1·7	0·5	0·5	0·4	0·5	0·7	..	1·8
Madhya Bharat . .	1·6	1·9	0·9	0·8	0·7	0·9	1·1	0·1	1·7
Madhya Pradesh . .	1·5	1·5	2·1	1·7	1·7	1·9	2·3	1·5	2·0
Madras . . .	2·8	3·1	0·4	0·3	0·4	0·4	0·5	1·6	2·2
Mysore . . .	1·8	2·0	0·6	0·6	0·6	1·3	1·3	..	..
Orissa . . .	1·0	1·0	0·7	0·6	0·8	1·0	1·1	1·1	1·9
Pepsu . . .	1·9	1·9	0·2	0·2	0·2	0·2	0·3	0·4	1·2
Punjab . . .	2·2	2·3	0·5	0·4	0·4	0·4	0·4	2·3	2·1
Rajasthan . . .	0·1	1·0	0·3	0·3	0·2	0·3	0·4	0·1	1·8
Saurashtra . . .	2·6	3·2	0·1	0·1	0·1	0·1	1·1	..	..
Travancore-Cochin .	2·6	2·5	2·0	2·0	1·8	2·1	2·3	..	..
Uttar Pradesh . .	0·9	1·0	0·5	0·5	0·5	0·6	0·6	1·5	2·0
West Bengal . .	3·1	3·6	0·2	0·2	0·3	0·3	0·4	2·8	3·3
Jammu and Kashmir .	0·2	0·2	1·5	1·7	1·8	1·9	2·4	..	..
Ajmer . . .	..	0·3	0·4	0·3	0·3	0·3	0·3	..	..
Bhopal . . .	..	..	1·5	1·6	1·9	2·6	3·5	..	..
Coorg . . .	0·5	0·5	13·5	18·0	20·0	17·0	22·0	..	..
Vindhya Pradesh .	0·5	0·6	2·2	1·7	1·9	2·3	2·7	..	..
Kutch . . .	..	2·2	..	..	..	..	..	..	..
Total .	2·0	2·2	0·6	0·6	0·6	0·7	0·8	1·5	2·1

NOTE.—Per capita figures for 1953-54 in respect of Andhra and Madras have

1951-52, 1952-53, 1953-54, 1954-55, *and* 1955-56.—(*concld.*)

(Rupees in lakhs)

Union Excise Duties			Statutory Grants					Grants under Article 282				
53-54	54-55	55-56	1951-52	52-53	53-54	54-55	55-56	1951-52	52-53	53-54	54-55	55-56
2·2	2·1	2·1	..	..	..	0·1	0·1	..	..	0·4	0·3	0·6
2·0	1·9	2·0	1·5	2·7	3·2	3·9	4·2	0·3	0·4	0·4	0·5	2·1
2·0	1·9	1·9	0·1	0·2	0·3	0·4	0·5	0·4	0·3	0·4	1·3	1·0
3·5	3·4	3·4	0·4	..	..	0·1	0·1	0·2	0·4	0·6	0·4	1·0
1·8	1·9	1·9	0·6	..	0·1	0·1	0·2	0·5	0·1	0·1	0·3	0·6
1·7	1·8	1·8	0·1	0·1	0·2	0·3	0·3	0·2	0·2	0·4	1·5	1·5
2·0	1·9	2·0	0·3	0·1	0·2	0·3	0·4	0·1	0·1	0·3	0·6	1·3
2·2	2·1	2·1	..	..	..	..	..	0·2	0·1	0·2	0·4	1·2
0·1	0·2	0·2	3·8	4·2	3·9	3·9	3·9	0·6	..	0·2	0·3	0·6
1·9	1·9	2·0	0·5	0·8	0·9	1·0	1·1	0·4	0·4	0·2	0·9	2·2
2·2	1·7	1·8	..	..	0·1	0·2	0·5	0·5	0·2	0·6	1·3	3·2
2·1	2·0	2·0	..	1·0	1·1	1·2	1·2	0·2	0·1	0·4	1·3	2·0
1·7	1·8	1·8	..	..	0·2	0·3	0·3	..	0·1	0·4	1·8	0·9
..	..	..	7·3	7·7	7·7	7·7	7·8	0·1	0·7	1·0	4·7	6·0
..	..	..	3·9	3·8	3·5	3·5	3·5	..	0·1	0·1	0·2	1·0
2·0	1·9	2·0	..	..	..	..	..	0·1	0·2	0·3	0·6	0·9
3·3	3·2	3·2	0·6	0·9	1·0	1·0	1·0	0·1	0·2	0·4	1·0	1·9
..	..	..	..	..	...	..	..	..	..	..	5·5	6·1
..	..	..	..	..	..	..	..	..	23·7	16·4	15·7	26·6
..	..	..	..	..	..	..	..	..	13·1	12·3	18·1	30·6
..	..	..	..	..	..	..	..	1·0	3·5	3·0	7·5	6·5
..	..	..	..	..	..	..	..	..	0·1	6·1	3·8	6·7
..	..	..	..	..	..	..	..	..	..	..	..	..
2·1	2·0	2·0	0·5	0·5	0·6	0·6	0·7	0·2	0·3	0·5	0·9	1·5

been arrived at by doubling the figures of second half of the year.

8 (*a*). *Composition of expenditure*

Percentages of expenditure in each category to total

	Cost of Tax Collection	Irrigation	Debt Services	General Administration	Police	Other Administrative Services	Total of all Administrative Services
Andhra	..	..	..	..	..	..	..
	..	..	..	..	..	..	..
Assam	98	16	6	91	102	35	228
	9·0	*1·5*	*0·5*	*8·3*	*9·4*	*3·2*	*22·9*
Bihar	176	227	—9	259	409	198	866
	5·4	*6·9*	(—)	*7·9*	*12·4*	*6·0*	*26·3*
Bombay	420	172	69	436	936	302	1674
	7·0	*2·9*	*1·2*	*7·3*	*15·6*	*5·0*	*27·9*
Hyderabad	294	122	88	97	593	86	776
	11·0	*4·5*	*3·3*	*3·6*	*22·2*	*3·2*	*29·0*
Madhya Bharat	101	41	1	96	159	49	304
	9·1	*3·7*	*0·1*	*8·6*	*14·3*	*4·4*	*27·3*
Madhya Pradesh	247	42	23	183	247	75	505
	13·7	*2·3*	*1·3*	*10·2*	*13·7*	*4·1*	*28·0*
Madras	594	321	—188	746	738	310	1794
	9·5	*5·1*	(—)	*11·9*	*11·8*	*4·9*	*28·6*
Mysore	92	90	108	81	90	30	201
	6·5	*6·4*	*7·6*	*5·7*	*6·4*	*2·1*	*14·2*
Orissa	84	99	—2	122	137	43	302
	8·0	*9·4*	(—)	*11·6*	*13·0*	*4·1*	*28·7*
Pepsu	49	..	..	47	77	27	151
	10·5	..	..	*10·1*	*16·5*	*5·8*	*32·4*
Punjab	147	114	—51	157	268	80	505
	10·0	*7·7*	(—)	*10·6*	*18·2*	*5·4*	*34·2*
Rajasthan	203	52	20	174	241	54	469
	12·9	*3·3*	*1·3*	*11·1*	*15·4*	*3·4*	*29·9*
Saurashtra	57	37	—6	92	120	69	281
	6·7	*4·3*	(—)	*10·8*	*14·0*	*8·0*	*32·8*
Travancore-Cochin	125	62	—2	56	65	45	166
	9·8	*4·9*	(—)	*4·4*	*5·1*	*3·5*	*13·0*
Uttar Pradesh	458	256	—26	488	733	259	1480
	9·4	*5.2*	(—)	*10·0*	*15·0*	*5·3*	*30·3*
West Bengal	189	91	18	247	576	207	1030
	5·1	*2·5*	*0·5*	*6·7*	*15·6*	*5·6*	*27·9*
Jammu and Kashmir	51	29	..	34	28	9	71
	10·8	*6·1*	..	*7·2*	*5·9*	*1·9*	*15·0*
Ajmer	9	..	..	6	21	6	33
	6·1	..	..	*4·0*	*14·1*	*4·0*	*22·1*
Bhopal	12	..	..	12	24	7	43
	9·8	..	..	*9·8*	*19·7*	*5·7*	*35·2*
Coorg	14	4	..	3	3	1	7
	20·3	*5·8*	..	*4·3*	*4·3*	*1·5*	*10·1*
Vindhya Pradesh	37	..	..	22	36	9	67
	16·1	..	..	*9·8*	*16·1*	*4·0*	*29·9*
Kutch	9	6	..	5	15	4	24
	10·4	*6·9*	..	*5·8*	*17·2*	*4·6*	*27·6*
Total	3466	1781	49	3454	5618	1905	10977
	8·7	*4·4*	*0·1*	*8·6*	*14·0*	*4·8*	*27·4*

met from revenue of States—1951-52.
expenditure of respective States are given in *italics*.

(Rupees in lakhs)

Education	Medical and Public Health	Other Social Services	Total of all Social Services	Industries and Miscellaneous Departments	Civil Works	Other Items	Total
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
172	78	80	330	11	203	198	1090
15·8	*7·2*	*7·3*	*30.3*	*1·0*	*18·6*	*18·2*	
358	201	237	796	66	650	510	3282
10·9	*6·1*	*7·3*	*24·3*	*2·0*	*19·8*	*15·6*	
1212	435	383	2030	390	306	927	5988
20·2	*7·3*	*6·4*	*33·9*	*6·5*	*5·1*	*15·5*	
409	147	119	675	149	152	423	2679
15·3	*5·5*	*4·4*	*25·2*	*5·5*	*5·7*	*15·8*	
159	104	76	339	68	102	156	1112
14·3	*9·4*	*6·8*	*30·5*	*6·1*	*9·2*	*14·0*	
293	85	130	508	12	244	218	1799
16·3	*4·7*	*7·3*	*28·3*	*0·7*	*13·6*	*12·1*	
1101	518	458	2077	302	763	611	6274
17·5	*8·3*	*7·3*	*33·1*	*4·8*	*12·2*	*9·7*	
285	110	123	518	43	213	150	1415
20·1	*7·8*	*8·7*	*36·6*	*3·0*	*15·1*	*10·6*	
125	68	81	274	50	174	69	1050
11·9	*6·5*	*7·7*	*26·1*	*4·8*	*16·6*	*6·6*	
60	32	22	114	14	68	70	466
12·9	*6·9*	*4·7*	*24·5*	*3·0*	*14·6*	*15·0*	
188	85	100	373	33	139	215	1475
12·7	*5·8*	*6·8*	*25·3*	*2·2*	*9·4*	*14·6*	
230	144	60	434	61	88	244	1571
14·6	*9·2*	*3·8*	*27·6*	*3·9*	*5·6*	*15·5*	
113	64	35	212	37	91	146	855
13·2	*7·5*	*4·1*	*24·8*	*4·3*	*10·7*	*17·1*	
248	116	44	408	17	182	315	1273
19·5	*9·1*	*3·5*	*32·1*	*1·3*	*14·3*	*24·8*	
743	306	485	1534	79	321	786	4888
15·2	*6·3*	*9·9*	*31·4*	*1·6*	*6·5*	*16·1*	
336	430	259	1025	71	402	875	3701
9·1	*11·6*	*6·9*	*27·6*	*1·9*	*10·9*	*23·6*	
41	19	27	87	21	64	151	474
8·6	*4·0*	*5·7*	*18·3*	*4·4*	*13·5*	*31·9*	
46	7	9	62	..	..	45	149
30·9	*4·7*	*6·0*	*41·6*	..	..	*30·2*	
14	10	11	35	1	24	7	122
11·5	*8·2*	*9·0*	*28·7*	*0·9*	*19·7*	*5·7*	
7	7	10	24	..	13	7	69
10·1	*10·1*	*14·5*	*34·7*	..	*18·9*	*10·2*	
43	10	7	60	2	40	12	218
19·2	*4·5*	*3·1*	*26·8*	..	*17·8*	*9·4*	
7	4	3	14	..	17	17	87
8·0	*4·6*	*3·5*	*16·1*	..	*19·5*	*19·5*	
6190	2980	2759	11929	1427	4256	6152	40037
15·5	*7·4*	*6·9*	*29·8*	*3·6*	*10·6*	*15·4*	

8(*b*). *Composition of Expenditure*

Percentages of expenditure in each category to total

	Cost of Tax Collection	Irrigation	Debt Services	General Administration	Police	Other Administrative Services	Total of All Administrative Services
Andhra	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..	.. ..
Assam	104 *8·2*	20 *1·6*	7 *0·6*	72 *5·7*	112 *8·9*	35 *2·8*	219 *17·4*
Bihar	230 *8·1*	97 *3·4*	—13 (—)	221 *7·8*	375 *13·3*	193 *6·8*	789 *27·9*
Bombay	538 *8·2*	223 *3·4*	42 *0·6*	469 *7·1*	912 *13·9*	316 *4·8*	1697 *25·8*
Hyderabad	310 *13·2*	59 *2·5*	110 *4·7*	96 *4·1*	398 *17·0*	81 *3·4*	575 *24·5*
Madhya Bharat	110 *9·1*	41 *3·4*	5 *0·4*	97 *8·0*	157 *13·0*	49 *4·1*	303 *25·1*
Madhya Pradesh	252 *13·1*	27 *1·4*	64 *3·3*	184 *9·6*	257 *13·3*	77 *3·9*	518 *26·8*
Madras	597 *8·9*	386 *5·8*	—215 (—)	724 *10·8*	717 *10·7*	327 *4·9*	1768 *26·4*
Mysore	93 *6·6*	84 *6·0*	109 *7·8*	75 *5·4*	106 *7·6*	34 *2·4*	215 *15·4*
Orissa	109 *9·7*	82 *7·3*	—3 (—)	120 *10·7*	140 *12·4*	45 *4·0*	305 *27·1*
Pepsu	63 *11·6*	1 *0·2*	.. ..	53 *9·8*	80 *14·8*	29 *5·3*	162 *29·9*
Punjab	168 *10·9*	64 *4·1*	—40 (—)	164 *10·6*	277 *17·9*	80 *5·1*	521 *33·6*
Rajasthan	215 *13·5*	81 *5·1*	7 *0·4*	159 *10·0*	275 *17·3*	55 *3·4*	489 *30·7*
Saurashtra	136 *11·6*	30 *2·6*	1 *0·1*	84 *7·2*	132 *11·3*	70 *6·0*	286 *24·5*
Travancore-Cochin	131 *8·4*	80 *5·1*	—3 (—)	49 *3·1*	78 *5·0*	46 *3·0*	173 *11·1*
Uttar Pradesh	498 *8·6*	266 *4·6*	—1 (—)	606 *10·5*	716 *12·3*	271 *4·7*	1593 *27·5*
West Bengal	183 *4·8*	126 *3·3*	26 *0·7*	252 *6·5*	571 *14·8*	189 *4·9*	1012 *26·2*
Jammu and Kashmir	54 *11·4*	25 *5·3*	52 *11·0*	34 *7·1*	28 *5·9*	9 *1·9*	71 *14·9*
Ajmer	9 *4·3*	1 *0·4*	.. ..	13 *6·2*	23 *10·9*	6 *2·8*	42 *19·9*
Bhopal	13 *6·8*	2 *1·0*	.. ..	16 *8·4*	24 *12·6*	7 *3·6*	47 *24·6*
Coorg	19 *24·4*	1 *1·3*	.. ..	5 *6·4*	3 *3·8*	1 *1·3*	9 *11·5*
Vindhya Pradesh	37 *13·7*	1 *0·4*	.. ..	28 *10·3*	37 *13·6*	11 *4·1*	76 *28·0*
Kutch	13 *10·8*	17 *14·1*	.. ..	5 *4·1*	16 *13·2*	4 *3·3*	25 *20·6*
Total	3882 *9·1*	1714 *4·0*	148 *0·4*	3526 *8·2*	5434 *12·7*	1935 *4·6*	10895 *25·5*

met from revenue of States—1952-53.

expenditure of respective States are given in *italics*.

(Rupees in lakhs)

Education	Medical and Public Health	Other Social Services	Total of All Social Services	Industries and Miscellaneous Departments	Civil Works	Other Items	Total
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
187	78	81	346	25	312	225	1258
14·9	*6·2*	*6·4*	*27·5*	*2·0*	*24·8*	*17·9*	
431	221	167	819	48	510	345	2825
15·3	*7·8*	*6·0*	*29·1*	*1·7*	*18·1*	*12·2*	
1312	423	365	2100	376	459	1144	6579
19·9	*6·4*	*5·6*	*31·9*	*5·7*	*7·0*	*17·4*	
424	153	96	673	79	135	407	2348
18·1	*6·5*	*4·1*	*28·7*	*3·4*	*5·7*	*17·3*	
174	115	95	384	11	145	208	1207
14·4	*9·5*	*7·9*	*31·8*	*0·9*	*12·0*	*17·3*	
319	92	150	561	13	291	201	1927
16·6	*4·8*	*7·8*	*29·2*	*0·7*	*15·1*	*10·4*	
1196	586	391	2173	322	935	719	6685
17·9	*8·7*	*6·0*	*32·6*	*4·8*	*14·0*	*10·7*	
317	115	123	555	38	187	118	1399
22·7	*8·2*	*8·8*	*39·7*	*2·7*	*13·4*	*8·4*	
148	79	80	307	59	164	102	1125
13·2	*7·0*	*7·1*	*27·3*	*5·2*	*14·6*	*9·1*	
76	34	35	145	16	62	92	541
14·0	*6·3*	*6·5*	*26·8*	*3·0*	*11·5*	*17·0*	
202	91	105	398	33	137	268	1549
13·0	*5·9*	*6·8*	*25·7*	*2·1*	*8·9*	*17·3*	
259	139	59	457	49	84	211	1593
16·3	*8·7*	*3·7*	*28·7*	*3·1*	*5·3*	*13·2*	
118	55	35	208	27	122	360	1170
10·1	*4·7*	*3·0*	*17·8*	*2·3*	*10·4*	*30·7*	
291	101	45	437	20	267	456	1561
18·6	*6·5*	*2·9*	*28·0*	*1·3*	*17·1*	*29·2*	
784	345	482	1611	84	420	1335	5806
13·5	*5·9*	*8·3*	*27·7*	*1·4*	*7·2*	*23·0*	
391	418	262	1071	114	430	890	3852
10·1	*10·9*	*6·8*	*27·8*	*2·9*	*11·2*	*23·1*	
43	20	25	88	13	50	122	475
9·0	*4·2*	*5·3*	*18·5*	*2·7*	*10·5*	*25·7*	
51	9	7	67	1	5	86	211
24·2	*4·3*	*3·3*	*31·8*	*0·4*	*2·4*	*40·8*	
22	21	26	69	3	38	19	191
11·5	*11·0*	*13·6*	*36·1*	*1·6*	*19·9*	*10·0*	
7	6	12	25	..	16	8	78
9·0	*7·7*	*15·4*	*32·1*	..	*20·5*	*10·2*	
53	20	19	92	1	42	22	271
19·5	*7·4*	*7·0*	*33·9*	*0·4*	*15·5*	*8·1*	
8	5	5	18	..	22	26	121
6·6	*4·1*	*4·1*	*14·8*	..	*18·2*	*21·5*	
6813	3126	2665	12604	1332	4833	7364	42772
15·9	*7·3*	*6·2*	*29·4*	*3·1*	*11·3*	*17·2*	

8 (c). *Composition of expenditure met*

Percentages of expenditure in each category to total

	Cost of Tax Collection	Irrigation	Debt Services	General Administration	Police	Other Administrative Services	Total of all Administrative Services
Andhra	104 *8·5*	114 *9·3*	—48 (—)	154 *12·6*	107 *8·7*	36 *3·0*	297 *24·3*
Assam	115 *8·4*	16 *1·2*	7 *0·5*	73 *5·3*	140 *10·2*	36 *2·6*	249 *18·1*
Bihar	326 *10·8*	104 *3·4*	—20 (—)	227 *7·5*	381 *12·7*	191 *6·2*	799 *26·4*
Bombay	610 *9·0*	331 *4·9*	70 *1·1*	458 *6·8*	899 *13·3*	306 *4·5*	1663 *24·6*
Hyderabad	294 *12·2*	69 *2·9*	155 *6·4*	97 *4·0*	325 *13·5*	77 *3·2*	499 *20·7*
Madhya Bharat	115 *9·1*	41 *3·2*	9 *0·7*	105 *8·3*	169 *13·3*	50 *4·0*	324 *25·6*
Madhya Pradesh	268 *11·4*	70 *3·0*	61 *2·6*	210 *9·0*	245 *10·5*	79 *3·3*	534 *22·8*
Madras	198 *8·5*	117 *5·0*	—46 (—)	205 *8·8*	203 *8·7*	107 *4·6*	515 *22·1*
Mysore	97 *6·4*	88 *5·8*	34 *2·2*	84 *5·5*	113 *7·4*	40 *2·7*	237 *15·6*
Orissa	165 *12·9*	64 *5·0*	—2 (—)	149 *11·7*	145 *11·4*	45 *3·5*	339 *26·6*
Pepsu	75 *11·7*	7 *1·1*	1 *0·1*	52 *8·1*	88 *13·7*	29 *4·5*	169 *26·3*
Punjab	202 *11·1*	57 *3·1*	7 *0·4*	140 *7·7*	294 *16·2*	87 *4·8*	521 *28·7*
Rajasthan	246 *13·6*	97 *5·4*	13 *0·7*	170 *9·4*	303 *16·8*	57 *3·1*	530 *29·3*
Saurashtra	99 *11·8*	28 *3·4*	—9 (—)	80 *9·5*	108 *12·9*	65 *7·8*	253 *30·2*
Travancore-Cochin	135 *9·4*	78 *5·5*	—8 (—)	56 *3·9*	81 *5·7*	48 *3·3*	185 *12·9*
Uttar Pradesh	492 *7·8*	275 *4·4*	—32 (—)	611 *9·7*	705 *11·2*	272 *4·3*	1588 *25·2*
West Bengal	203 *4·6*	105 *2·4*	41 *0·9*	256 *5·8*	584 *13·1*	195 *4·4*	1035 *23·3*
Jammua and Kashmir	55 *11·3*	25 *5·2*	27 *5·6*	33 *6·8*	40 *8·2*	10 *2·1*	83 *17·1*
Ajmer	10 *6·8*	1 *0·7*	.. ..	13 *8·8*	25 *16·9*	6 *4·0*	44 *29·7*
Bhopal	16 *7·0*	3 *1·3*	.. ..	17 *7·5*	24 *10·5*	7 *3·1*	48 *21·1*
Coorg	18 *18·2*	2 *2·0*	.. ..	5 *5·1*	4 *4·0*	1 *1·0*	10 *10·1*
Vindhya Pradesh	51 *14·0*	6 *1·6*	.. ..	36 *9·9*	45 *12·3*	12 *3·3*	93 *25·5*
Kutch	11 *10·4*	8 *7·5*	.. ..	6 *5·7*	17 *16·0*	4 *3·8*	27 *25·5*
Total	3905 *9·3*	1706 *4·0*	260 *0·6*	3237 *7·7*	5045 *11·9*	1760 *4·2*	10042 *23·8*

from revenue of States—1953-54
expenditure of respective States are given in *italics*

(Rupees in lakhs)

Education	Medical and Public Health	Other Social Services	Total of all Social Services	Industries and Miscellaneous Departments	Civil Works	Other Items	Total
247 *20·2*	64 *5·2*	64 *5·2*	375 *30·6*	55 *4·5*	174 *14·2*	153 *12·5*	1224
213 *15·5*	90 *6·5*	94 *6·8*	397 *28·8*	18 *1·3*	323 *23·5*	251 *18·2*	1376
541 *18·0*	245 *8·1*	191 *6·4*	977 *32·5*	47 *1·6*	344 *11·4*	441 *14·6*	3018
1284 *19·0*	448 *6·6*	523 *7·8*	2255 *33·4*	413 *6·1*	404 *6·0*	1007 *14·9*	6753
462 *19·2*	185 *7·7*	93 *3·9*	740 *30·8*	65 *2·7*	142 *5·9*	444 *18·4*	2408
197 *15·5*	114 *9·0*	107 *8·5*	418 *33·0*	20 *1·6*	164 *12·9*	176 *13·9*	1267
386 *16·5*	123 *5·2*	286 *12·3*	795 *34·0*	14 *0·6*	297 *12·7*	303 *12·9*	2342
523 *22·5*	183 *7·9*	116 *5·0*	822 *35·4*	150 *6·5*	235 *10·1*	335 *14·4*	2326
323 *21·3*	125 *8·2*	122 *8·0*	570 *37·5*	40 *2·6*	227 *14·9*	229 *15·0*	1522
174 *13·6*	90 *7·1*	75 *5·9*	339 *26·6*	61 *4·8*	181 *14·2*	129 *10·1*	1276
88 *13·7*	46 *7·1*	36 *5·6*	170 *26·4*	12 *1·9*	114 *17·7*	95 *14·8*	643
246 *13·6*	107 *5·9*	93 *5·1*	446 *24·6*	33 *1·8*	209 *11·5*	341 *18·8*	1816
290 *16·0*	154 *8·5*	68 *3·8*	512 *28·3*	47 *2·6*	136 *7·5*	227 *12·6*	1808
132 *15·8*	48 *5·7*	38 *4·5*	218 *26·0*	25 *3·0*	106 *12·7*	117 *14·0*	837
304 *21·2*	104 *7·3*	43 *3·0*	451 *31·5*	23 *1·6*	230 *16·0*	340 *23·7*	1434
844 *13·4*	361 *5·7*	606 *9·6*	1811 *28·7*	99 *1·6*	361 *5·7*	1706 *27·1*	6300
464 *10·4*	469 *10·6*	421 *9·4*	1354 *30·4*	109 *2·5*	439 *9·9*	1156 *26·0*	4442
49 *10·1*	22 *4·5*	29 *6·0*	100 *20·6*	18 *3·7*	48 *9·9*	129 *26·6*	485
54 *36·5*	11 *7·4*	7 *4·7*	72 *48·6*	.. ..	9 *6·1*	12 *8·1*	148
34 *14·9*	34 *14·9*	20 *8·8*	88 *38·6*	4 *1·8*	42 *18·4*	27 *11·8*	228
16 *16·2*	8 *8·1*	12 *12·1*	36 *36·4*	1 *1·0*	20 *20·2*	12 *12·1*	99
67 *18·3*	28 *7·7*	24 *6·6*	119 *32·6*	3 *0·8*	61 *16·7*	32 *8·8*	365
9 *8·5*	6 *5·6*	4 *3·8*	19 *17·9*	.. ..	21 *19·8*	20 *18·9*	106
6947 *16·4*	3065 *7·3*	3072 *7·2*	13084 *30·9*	1257 *3·0*	4287 *10·2*	7682 *18·2*	42223

8(d). *Composition of expenditure met*

Percentages of expenditure in each category to total

	Cost of Tax Collection	Irrigation	Debt Services	General Administration	Police	Other Administrative Services	Total of all Administrative Services
Andhra	227 *9·2*	228 *9·2*	—136 (—)	371 *15·0*	268 *10·8*	90 *3·6*	729 *29·4*
Assam	129 *6·7*	47 *2·5*	10 *0·5*	84 *4·4*	148 *7·7*	35 *1·8*	267 *13·9*
Bihar	388 *9·5*	164 *4·0*	14 *0·3*	273 *6·7*	396 *9·7*	191 *4·6*	860 *21·0*
Bombay	665 *10·2*	229 *3·5*	143 *2·2*	506 *7·7*	921 *14·1*	298 *4·4*	1725 *26·2*
Hyderabad	322 *12·5*	83 *3·2*	149 *5·8*	100 *3·9*	309 *12·1*	80 *3·1*	489 *19·1*
Madhya Bharat	117 *8·3*	48 *3·4*	17 *1·2*	108 *7·7*	171 *12·2*	52 *3·7*	331 *23·6*
Madhya Pradesh	613 *21·3*	72 *2·5*	76 *2·6*	228 *7·9*	260 *9·0*	84 *2·9*	572 *19·8*
Madras	418 *9·0*	237 *5·1*	—156 (—)	613 *13·3*	481 *10·4*	218 *4·7*	1312 *28·4*
Mysore	109 *6·7*	60 *3·7*	55 *3·4*	93 *5·7*	116 *7·1*	42 *2·6*	251 *15·4*
Orissa	183 *12·2*	46 *3·1*	—3 (—)	218 *14·5*	148 *9·9*	48 *3·2*	414 *27·6*
Pepsu	97 *11·3*	7 *0·8*	1 *0·1*	53 *6·2*	87 *10·1*	28 *3·3*	168 *19·6*
Punjab	224 *11·7*	113 *5·9*	—56 (—)	138 *7·2*	305 *16·0*	83 *4·3*	526 *27·5*
Rajasthan	274 *13·6*	66 *3·3*	19 *0·9*	187 *9·3*	298 *14·8*	61 *3·0*	546 *27·1*
Saurasthra	145 *12·0*	54 *4·4*	5 *0·4*	68 *5·6*	105 *8·7*	77 *6·4*	250 *20·7*
Travancore-Cochine	133 *10·7*	72 *5·8*	—19 (—)	56 *4·5*	85 *6·8*	49 *4·0*	190 *15·3*
Uttar Pradesh	631 *9·5*	334 *5·0*	—12 (—)	545 *8·2*	739 *11·1*	276 *4·1*	1560 *23·4*
West Bengal	301 *6·2*	136 *2·8*	79 *1·7*	276 *5·7*	596 *12·3*	195 *4·0*	1067 *22·0*
Jammu and Kashmir	57 *12·0*	14 *3·0*	10 *2·1*	35 *7·4*	45 *9·5*	10 *2·1*	90 *19·0*
Ajmer	10 *6·0*	1 *0·6*	.. ..	14 *8·3*	26 *15·6*	6 *3·6*	46 *27·5*
Bhopal	28 *10·1*	2 *0·7*	.. ..	20 *7·2*	24 *8·6*	6 *2·2*	50 *18·0*
Coorg	18 *16·2*	2 *1·8*	.. ..	5 *4·5*	4 *3·6*	1 *0·9*	10 *9·0*
Vindhya Pradesh	63 *13·4*	8 *1·7*	.. ..	38 *8·1*	44 *9·3*	14 *3·0*	96 *20·4*
Kutch	16 *13·6*	4 *3·4*	.. ..	6 *5·1*	20 *17·0*	5 *4·2*	31 *26·3*
Total	5168 *10·4*	2027 *4·1*	196 *0·4*	4035 *8·1*	5596 *11·2*	1949 *3·9*	11580 *23·2*

from revenue of States—1954-55

expenditure of respective States are given in *italics*

(Rupees in lakhs)

Education	Medical and Public Health	Other Social Services	Total of all Social Services	Industries and Miscellaneous Departments	Civil Works	Other Items	Total
449	158	141	748	160	268	254	2478
18·1	*6·4*	*5·7*	*30·2*	*6·5*	*10·8*	*10·2*	
266	115	118	499	26	453	487	1918
13·9	*6·0*	*6·1*	*26·0*	*1·4*	*23·6*	*25·4*	
669	351	321	1341	54	489	779	4089
16·3	*8·6*	*7·9*	*32·8*	*1·3*	*11·6*	*19·1*	
1414	458	260	2132	291	388	970	6543
21·6	*7·0*	*4·1*	*32·7*	*4·5*	*5·9*	*14·8*	
497	191	96	784	88	148	502	2565
19·4	*7·5*	*3·7*	*30·6*	*3·4*	*5·8*	*19·6*	
227	129	148	504	34	182	172	1405
16·2	*9·2*	*10·5*	*35·9*	*2·4*	*13·0*	*12·2*	
436	126	239	801	18	370	356	2878
15·1	*4·4*	*8·4*	*27·9*	*0·6*	*12·9*	*12·4*	
919	408	276	1603	279	411	521	4625
19·9	*8·8*	*6·0*	*34·7*	*6·0*	*8·9*	*11·3*	
343	139	140	622	69	249	220	1635
21·0	*8·5*	*8·5*	*38·0*	*4·2*	*15·2*	*13·4*	
190	91	96	377	88	186	211	1502
12·6	*6·1*	*6·4*	*25·1*	*5·8*	*12·4*	*14·0*	
123	64	42	229	14	155	188	859
14·3	*7·5*	*4·9*	*26·7*	*1·6*	*18·0*	*21·9*	
284	117	104	505	40	200	359	1911
14·9	*6·1*	*5·4*	*26·4*	*2·1*	*10·5*	*18·8*	
322	192	89	603	61	196	251	2016
16·0	*9·5*	*4·4*	*29·9*	*3·0*	*9·7*	*12·5*	
154	70	56	280	41	167	269	1211
12·7	*5·8*	*4·6*	*23·1*	*3·4*	*13·8*	*22·2*	
330	114	69	513	29	265	60	1243
26·5	*9·2*	*5·6*	*41·3*	*2·3*	*21·3*	*4·8*	
960	368	545	1873	147	546	1575	6654
14·4	*5·5*	*8·3*	*28·2*	*2·2*	*8·2*	*23·7*	
627	487	365	1479	142	450	1174	4828
13·0	*10·1*	*7·6*	*30·7*	*3·0*	*9·3*	*24·3*	
57	26	31	114	17	60	111	473
12·1	*5·5*	*6·6*	*24·1*	*3·6*	*12·7*	*23·5*	
59	12	7	78	1	10	21	167
35·3	*7·2*	*4·2*	*46·7*	*0·6*	*6·0*	*12·6*	
51	40	19	110	6	35	47	278
18·3	*14·4*	*6·8*	*39·5*	*2·2*	*12·6*	*16·9*	
20	8	12	40	2	24	15	111
18·0	*7·2*	*10·8*	*36·0*	*1·8*	*21·7*	*13·5*	
108	33	26	167	3	84	50	471
23·0	*7·0*	*5·5*	*35·5*	*0·6*	*17·8*	*10·6*	
11	8	6	25	..	22	20	118
9·3	*6·8*	*5·1*	*21·2*	..	*18·6*	*16·9*	
8516	3705	3206	15427	1610	5358	8612	49978
17·0	*7·4*	*6·4*	*30·8*	*3·2*	*10·7*	*17·2*	

8 (*e*). *Composition of expenditure met*

Percentages of expenditure in each category to total

	Cost of Tax Collection	Irrigation	Debt Services	General Administration	Police	Other Administrative Services	Total of all Administrative Services
Andhra	256 *9·0*	247 *8·7*	—144 (—)	359 *12·6*	267 *9·4*	100 *3·5*	726 *25·5*
Assam	193 *7·9*	97 *4·0*	20 *0·8*	104 *4·3*	166 *6·8*	39 *1·6*	309 *12·7*
Bihar	450 *8·6*	197 *3·8*	47 *0·9*	338 *6·5*	421 *8·0*	191 *3·6*	950 *18·1*
Bombay	886 *11·9*	195 *2·6*	183 *2·5*	478 *6·4*	980 *13·2*	298 *3·9*	1756 *23·5*
Hyderabad	245 *9·1*	34 *1·3*	179 *6·7*	178 *6·6*	302 *11·2*	77 *2·9*	557 *20·7*
Madhya Bharat.	124 *6·8*	68 *3·7*	28 *1·5*	124 *6·8*	206 *11·3*	52 *2·8*	382 *20·9*
Madhya Pradesh	361 *12·1*	80 *2·7*	99 *3·3*	304 *10·2*	265 *8·9*	81 *2·7*	650 *21·8*
Madras	407 *7·6*	281 *5·2*	—144 (—)	447 *8·3*	520 *9·7*	212 *4·0*	1179 *22·0*
Mysore	155 *8·0*	64 *3·3*	83 *4·3*	89 *4·6*	121 *6·3*	42 *2·2*	252 *13·1*
Orissa	219 *9·6*	44 *1·9*	18 *0·8*	375 *16·4*	165 *7·2*	49 *2·2*	589 *25·8*
Pepsu	116 *11·3*	11 *1·0*	3 *0·3*	56 *5·5*	94 *9·1*	28 *2·7*	178 *17·3*
Punjab	246 *9·4*	81 *3·1*	—20 (—)	157 *6·0*	335 *12·8*	85 *3·2*	577 *22·0*
Rajasthan	338 *15·0*	49 *2·2*	25 *1·1*	186 *8·3*	295 *13·1*	64 *2·8*	545 *24·2*
Saurashtra	162 *10·3*	82 *5·2*	26 *1·7*	80 *5·1*	103 *6·6*	82 *5·2*	265 *16·8*
Travancore-Cochin	154 *7·9*	83 *4·3*	—21 (—)	67 *3·5*	96 *5·0*	59 *3·0*	222 *11·5*
Uttar Pradesh	725 *10·0*	416 *5·7*	15 *0·2*	610 *8·4*	807 *11·1*	280 *3·8*	1697 *23·3*
West Bengal	424 *7·1*	253 *4·2*	152 *2·5*	293 *4·9*	682 *11·4*	204 *3·3*	1179 *19·6*
Jammu and Kashmir	61 *11·3*	20 *3·7*	18 *3·4*	38 *7·1*	46 *8·5*	12 *2·2*	96 *17·8*
Ajmer	13 *6·3*	.. ..	.. ..	15 *7·3*	27 *13·2*	6 *2·9*	48 *23·4*
Bhopal	33 *8·3*	6 *1·5*	1 *0·3*	20 *5·0*	23 *5·8*	6 *1·5*	49 *12·3*
Coorg	22 *16·1*	8 *5·8*	.. ..	6 *4·4*	4 *2·9*	1 *0·7*	11 *8·0*
Vindhya Pradesh	83 *14·0*	6 *1·0*	2 *0·3*	42 *7·1*	55 *9·2*	13 *2·2*	110 *18·5*
Kutch	17 *14·5*	5 *4·3*	.. ..	7 *6·0*	21 *17·9*	5 *4·3*	33 *28·2*
Total	5690 *9·5*	2327 *3·8*	570 *1·0*	4373 *7·4*	6001 *9·8*	1986 *3·3*	12360 *20·5*

from revenue of States—1955-56

expenditure of respective States are given in *italics*

(Rupees in lakhs)

Education	Medical and Public Health	Other Social Services	Total of all Social Services	Industries and Miscellaneous Departments	Civil Works	Other Items	Total
515 *18·1*	201 *7·0*	145 *5·1*	861 *30·2*	178 *6·3*	264 *9·3*	459 *16·1*	2847
392 *16·0*	153 *6·3*	184 *7·5*	729 *29·8*	41 *1·7*	572 *23·4*	481 *19·7*	2442
774 *14·8*	566 *10·8*	552 *10·6*	1892 *36·2*	84 *1·6*	823 *15·7*	788 *15·1*	5231
1592 *21·4*	584 *7·9*	384 *5·3*	2560 *34·6*	347 *4·7*	477 *6·4*	1022 *13·8*	7426
535 *19·9*	196 *7·3*	114 *4·3*	845 *31·5*	117 *4·4*	144 *5·0*	573 *21·3*	2694
266 *14·6*	211 *11·6*	251 *13·7*	728 *39·9*	59 *3·3*	236 *12·9*	200 *11·0*	1825
563 *18·9*	167 *5·6*	151 *5·1*	881 *29·6*	34 *1·1*	435 *14·6*	440 *14·8*	2980
1093 *20·4*	438 *8·1*	303 *5·8*	1834 *34·3*	327 *6·1*	503 *9·4*	972 *18·1*	5359
367 *19·1*	149 *7·7*	156 *8·1*	672 *34·9*	67 *3·5*	359 *18·6*	275 *14·3*	1927
251 *11·0*	113 *5·0*	131 *5·7*	495 *21·7*	128 *5·6*	188 *8·2*	604 *26·4*	2285
144 *14·0*	68 *6·6*	49 *4·8*	261 *25·4*	23 *2·2*	223 *21·7*	214 *20·8*	1029
370 *14·1*	145 *5·5*	96 *3·5*	611 *23·1*	42 *1·6*	221 *8·5*	860 *33·0*	2618
358 *15·9*	266 *11·8*	77 *3·4*	701 *31·1*	102 *4·5*	170 *7·5*	324 *14·4*	2254
252 *16·0*	92 *5·9*	62 *4·0*	406 *25·9*	51 *3·2*	244 *15·5*	336 *21·4*	1572
477 *24·7*	166 *8·6*	105 *5·4*	748 *38·7*	50 *2·6*	345 *17·8*	354 *18·3*	1935
1023 *14·1*	423 *5·7*	549 *7·6*	1995 *27·4*	175 *2·4*	567 *7·8*	1683 *23·2*	7273
921 *15·3*	522 *8·7*	376 *6·3*	1819 *30·3*	157 *2·6*	518 *8·6*	1508 *25·1*	6010
59 *11·0*	28 *5·2*	40 *7·4*	127 *23·6*	25 *4·6*	54 *10·0*	138 *25·6*	539
74 *36·1*	16 *7·8*	11 *5·4*	101 *49·3*	2 *1·0*	15 *7·3*	26 *12·7*	205
81 *20·4*	77 *19·4*	30 *7·6*	188 *47·4*	12 *3·0*	42 *10·6*	66 *16·6*	397
23 *16·8*	13 *9·5*	12 *8·7*	48 *35·0*	3 *2·2*	22 *16·1*	23 *16·8*	137
128 *21·6*	38 *6·4*	37 *6·2*	203 *34·2*	23 *3·9*	100 *16·8*	67 *11·3*	594
13 *11·1*	12 *10·3*	8 *6·8*	33 *28·2*	1 *0·9*	9 *7·7*	19 *16·2*	117
10271 *17·0*	4644 *7·7*	3823 *6·7*	18738 *31·4*	2048 *3·6*	6531 *10·9*	11432 *19·3*	59696

9(*a*). *Expenditure in States*

Per capita figures (in

	General Administration		Police		Other Administrative Services	
Andhra	..	..	..	..	..	..
Assam	91	1·0	102	1·1	35	0·4
Bihar	259	0·6	409	1·0	198	0·5
Bombay	436	1·2	936	2·6	302	0·8
Hyderabad	97	0·5	593	3·2	86	0·4
Madhya Bharat	96	1·2	159	2·0	49	0·6
Madhya Pradesh	183	0·9	247	1·2	75	0·3
Madras	746	1·3	738	1·3	310	0·5
Mysore	81	0·9	90	1·0	30	0·3
Orissa	122	0·8	137	1·0	43	0·3
Pepsu	47	1·3	77	2·2	27	0·8
Punjab	157	1·2	268	2·2	80	0·6
Rajasthan	174	1·1	241	1·6	54	0·4
Saurashtra	92	2·3	120	2·9	69	1·6
Travancore-Cochin	56	0·6	65	0·7	45	0·5
Uttar Pradesh	488	0·8	733	1·1	259	0·4
West Bengal	247	1·0	576	2·3	207	0·8
Jammu and Kashmir	34	0·8	28	0·6	9	0·2
Ajmer	6	0·9	21	3·0	6	0·9
Bhopal	12	1·5	24	3·0	7	0·9
Coorg	3	1·5	3	1·5	1	0·5
Vindhya Pradesh	22	0·6	36	1·0	9	0·3
Kutch	5	0·8	15	2·5	4	0·7
Total	3454	0·9	5618	1·6	1905	0·5

on selected services—1951-52

rupees) are given in *italics*

(Rupees in lakhs)

Total of all Administrative Services		Education		Medical and Public Health		Other Social Services		Total of all Social Services	
..	..	..	..	..	..	..	..	..	..
228	*2·5*	172	*1·9*	78	*0·9*	80	*0·9*	330	*3·7*
866	*2·1*	358	*0·9*	201	*0·5*	237	*0·6*	796	*2·0*
1674	*4·6*	1212	*3·3*	435	*1·2*	383	*1·1*	2030	*5·6*
776	*4·1*	409	*2·2*	147	*0·8*	119	*0·6*	675	*3·6*
304	*3·8*	159	*2·0*	104	*1·3*	76	*0·9*	339	*4·2*
505	*2·4*	293	*1·4*	85	*0·4*	130	*0·6*	508	*2·4*
1794	*3·1*	1101	*1·9*	518	*0·9*	458	*0·8*	2077	*3·6*
201	*2·2*	285	*3·1*	110	*1·2*	123	*1·4*	518	*5·7*
302	*2·1*	125	*0·9*	68	*0·5*	81	*0·5*	274	*1·9*
151	*4·3*	60	*1·7*	32	*0·9*	22	*0·6*	114	*3·2*
505	*4·0*	188	*1·5*	85	*0·7*	100	*0·8*	373	*3·0*
469	*3·1*	230	*1·5*	144	*0·9*	60	*0·4*	434	*2·8*
281	*6·8*	113	*2·7*	64	*1·6*	35	*0·9*	212	*5·2*
166	*1·8*	248	*2·7*	116	*1·2*	44	*0·5*	408	*4·4*
1480	*2·3*	743	*1·2*	306	*0·5*	485	*0·8*	1534	*2·5*
1030	*4·1*	336	*1·4*	430	*1·7*	259	*1·1*	1025	*4·2*
71	*1·6*	41	*0·9*	19	*0·5*	27	*0·6*	87	*2·0*
33	*4·8*	46	*6·6*	7	*1·0*	9	*1·3*	62	*8·9*
43	*5·4*	14	*1·7*	10	*1·3*	11	*1·4*	35	*4·4*
7	*3·5*	7	*3·5*	7	*3·5*	10	*5·0*	24	*12·0*
67	*1·9*	43	*1·2*	10	*0·3*	7	*0·2*	60	*1·7*
24	*4·0*	7	*1·1*	4	*0·7*	3	*0·5*	14	*2·3*
10977	*3·0*	6190	*1·7*	2980	*0·8*	2759	*0·8*	11929	*3·3*

9(*b*). *Expenditure in States*

Per capita figures (in

	General Administration		Police		Other Administrative Services	
Andhra	..	..	..	..	..	..
Assam	72	0·8	112	1·2	35	0·4
Bihar	221	0·6	375	0·9	193	0·5
Bombay	469	1·3	912	2·5	316	0·9
Hyderabad	96	0·5	398	2·1	81	0·5
Madhya Bharat	97	1·2	157	2·0	49	0·6
Madhya Pradesh	184	0·9	257	1·2	77	0·3
Madras	724	1·3	717	1·2	327	0·6
Mysore	75	0·8	106	1·2	34	0·4
Orissa	120	0·8	140	1·0	45	0·3
Pepsu	53	1·5	80	2·3	29	0·8
Punjab	164	1·3	277	2·2	80	0·6
Rajasthan	159	1·0	275	1·8	55	0·4
Saurashtra	84	2·0	132	3·2	70	1·7
Travancore-Cochin	49	0·5	78	0·8	46	0·5
Uttar Pradesh	606	1·0	716	1·1	271	0·4
West Bengal	252	1·0	571	2·3	189	0·8
Jammu and Kashmir	34	0·8	28	0·6	9	0·2
Ajmer	13	1·8	23	3·3	6	0·9
Bhopal	16	2·0	24	3·0	7	0·9
Coorg	5	2·5	3	1·5	1	0·5
Vindhya Pradesh	28	0·8	37	1·0	11	0·3
Kutch	5	0·8	16	2·7	4	0·7
Total	3526	1·0	5434	1·5	1935	0·5

on selected services—1952-53

rupees) are given in *italics*

(Rupees in lakhs)

Total of all Administrative Services		Education		Medical and Public Health		Other Social Services		Total of all Social Services	
..	..	..	..	..	..	..	..	..	..
219	*2·4*	187	*2·1*	78	*0·8*	81	*0·9*	346	*3·8*
789	*2·0*	431	*1·1*	221	*0·5*	167	*0·4*	819	*2·0*
1697	*4·7*	1312	*3·6*	423	*1·2*	365	*1·0*	2100	*5·8*
575	*3·1*	424	*2·3*	153	*0·8*	96	*0·5*	673	*3·6*
303	*3·8*	174	*2·2*	115	*1·4*	95	*1·2*	384	*4·8*
518	*2·4*	319	*1·5*	92	*0·4*	150	*0·7*	561	*2·6*
1768	*3·1*	1196	*2·1*	586	*1·0*	391	*0·7*	2173	*3·8*
215	*2·4*	317	*3·5*	115	*1·3*	123	*1·3*	555	*6·1*
305	*2·1*	148	*1·0*	79	*0·5*	80	*0·6*	307	*2·1*
162	*4·6*	76	*2·2*	34	*1·0*	35	*1·0*	145	*4·2*
521	*4·1*	202	*1·6*	91	*0·7*	105	*0·8*	398	*3·1*
489	*3·2*	259	*1·7*	139	*0·9*	59	*0·4*	457	*3·0*
286	*6·9*	118	*2·9*	55	*1·3*	35	*0·9*	208	*5·1*
173	*1·8*	291	*3·1*	101	*1·1*	45	*0·5*	437	*4·7*
1593	*2·5*	784	*1·2*	345	*0·6*	482	*0·8*	1611	*2·6*
1012	*4·1*	391	*1·6*	418	*1·7*	262	*1·1*	1071	*4·4*
71	*1·6*	43	*1·0*	20	*0·4*	25	*0·6*	88	*2·0*
42	*6·0*	51	*7·3*	9	*1·3*	7	*1·0*	67	*9·6*
47	*5·9*	22	*2·8*	21	*2·6*	26	*3·2*	69	*8·6*
9	*4·5*	7	*3·5*	6	*3·0*	12	*6·0*	25	*12·5*
76	*2·1*	53	*1·5*	20	*0·6*	19	*0·5*	92	*2·6*
25	*4·2*	8	*1·4*	5	*0·8*	5	*0·8*	18	*3·0*
10895	*3·0*	6813	*1·9*	3126	*0·9*	2665	*0·7*	12604	*3·5*

9(c). *Expenditure in States*

Per capita figures (in

	General Administration		Police		Other Administrative Services	
Andhra (*a*)	154	*1·4*	107	*1·0*	36	*0·4*
Assam	73	*0·8*	140	*1·6*	36	*0·4*
Bihar	227	*0·6*	381	*0·9*	191	*0·5*
Bombay	458	*1·3*	899	*2·5*	306	*0·8*
Hyderabad	97	*0·5*	325	*1·8*	77	*0·4*
Madhya Bharat	105	*1·3*	169	*2·1*	50	*0·6*
Madhya Pradesh	210	*1·0*	245	*1·1*	79	*0·4*
Madras (*a*)	205	*1·2*	203	*1·2*	107	*0·6*
Mysore	84	*0·9*	113	*1·1*	40	*0·4*
Orissa	149	*1·0*	145	*1·0*	45	*0·3*
Pepsu	52	*1·5*	88	*2·5*	29	*0·8*
Punjab	140	*1·1*	294	*2·3*	87	*0·7*
Rajasthan	170	*1·1*	303	*2·0*	57	*0·4*
Saurashtra	80	*2·0*	108	*2·6*	65	*1·6*
Travancore-Cochin	56	*0·6*	81	*0·9*	48	*0·5*
Uttar Pradesh	611	*1·0*	705	*1·1*	272	*0·4*
West Bengal	256	*1·0*	584	*2·3*	195	*0·8*
Jammu and Kashmir	33	*0·8*	40	*0·9*	10	*0·2*
Ajmer	13	*1·9*	25	*3·6*	6	*0·8*
Bhopal	17	*2·1*	24	*3·0*	7	*0·9*
Coorg	5	*2·5*	4	*2·0*	1	*0·5*
Vindhya Pradesh	36	*1·0*	45	*1·3*	12	*0·3*
Kutch	6	*1·0*	17	*2·8*	4	*0·7*
Total	3237	*1·0*	5045	*1·5*	1760	*0·5*

(*a*) Per capita figures have been arrived at by doubling

on selected services—1953-54

rupees) are given in *italics*

(Rupees in lakhs)

Total of all Adminstrative Services		Education		Medical and Public Health		Other Social Services		Total of all Social Services	
297	*2·8*	247	*2·4*	64	*0·6*	64	*0·6*	375	*3·6*
249	*2·8*	213	*2·4*	90	*1·0*	94	*1·0*	397	*4·4*
799	*2·0*	541	*1·3*	245	*0·6*	191	*0·5*	977	*2·4*
1663	*4·6*	1284	*3·6*	448	*1·2*	523	*1·5*	2255	*6·3*
499	*2·7*	462	*2·5*	185	*1·0*	93	*0·5*	740	*4·0*
324	*4·0*	197	*2·5*	114	*1·4*	107	*1·3*	418	*5·2*
534	*2·5*	386	*1·8*	123	*0·6*	286	*1·3*	795	*3·7*
515	*3·0*	523	*3·0*	183	*1·0*	116	*0·6*	822	*4·6*
237	*2·4*	323	*3·3*	125	*1·3*	122	*1·2*	570	*5·8*
339	*2·3*	174	*1·2*	90	*0·6*	75	*0·5*	339	*2·3*
169	*4·8*	88	*2·5*	46	*1·3*	36	*1·1*	170	*4·9*
521	*4·1*	246	*2·0*	107	*0·8*	93	*0·7*	446	*3·5*
530	*3·5*	290	*1·9*	154	*1·0*	68	*0·4*	512	*3·3*
253	*6·2*	132	*3·2*	48	*1·2*	38	*0·9*	218	*5·3*
185	*2·0*	304	*3·3*	104	*1·1*	43	*0·5*	451	*4·9*
1588	*2·5*	844	*1·3*	361	*0·6*	606	*1·0*	1811	*2·9*
1035	*4·1*	464	*1·9*	469	*1·9*	421	*1·7*	1354	*5·5*
83	*1·9*	49	*1·1*	22	*0·5*	29	*0·7*	100	*2·3*
44	*6·3*	54	*7·7*	11	*1·6*	7	*1·0*	72	*10·3*
48	*6·0*	34	*4·2*	34	*4·3*	20	*2·5*	88	*11·0*
10	*5·0*	16	*8·0*	8	*4·0*	12	*6·0*	36	*18·0*
93	*2·6*	67	*1·8*	28	*0·8*	24	*0·7*	119	*3·3*
27	*4·5*	9	*1·5*	6	*1·0*	4	*0·7*	19	*3·2*
10042	*3·0*	6947	*2·0*	3065	*0·9*	3072	*0·9*	13084	*3·8*

the figures of second half of the year.

9(d). *Expenditure in States*

Per capita figures (in

	General Administration		Police		Other Administrative Services	
Andhra	371	*1·8*	268	*1·3*	90	*0·5*
Assam	84	*0·9*	148	*1·7*	35	*0·4*
Bihar	273	*0·7*	396	*1·0*	191	*0·4*
Bombay	506	*1·4*	921	*2·6*	298	*0·8*
Hyderabad	100	*0·5*	309	*1·7*	80	*0·4*
Madhya Bharat	108	*1·3*	171	*2·1*	52	*0·7*
Madhya Pradesh	228	*1·1*	260	*1·2*	84	*0·4*
Madras	613	*1·7*	481	*1·4*	218	*0·6*
Mysore	93	*0·9*	116	*1·2*	42	*0·4*
Orissa	218	*1·5*	148	*1·0*	48	*0·3*
Pepsu	53	*1·5*	87	*2·5*	28	*0·8*
Punjab	138	*1·1*	305	*2·4*	83	*0·7*
Rajasthan	187	*1·2*	298	*2·0*	61	*0·4*
Saurashtra	68	*1·6*	105	*2·6*	77	*1·9*
Travancore-Cochin	56	*0·6*	85	*0·9*	49	*0·5*
Uttar Pradesh	545	*0·9*	739	*1·2*	276	*0·4*
West Bengal	276	*1·1*	596	*2·4*	195	*0·8*
Jammu and Kashmir	35	*0·8*	45	*1·0*	10	*0·2*
Ajmer	14	*2·0*	26	*3·7*	6	*0·9*
Bhopal	20	*2·5*	24	*3·0*	6	*0·8*
Coorg	5	*2·5*	4	*2·0*	1	*0·5*
Vindhya Pradesh	38	*1·1*	44	*1·2*	14	*0·4*
Kutch	6	*1·0*	20	*3·3*	5	*0·9*
Total	4035	*1·1*	5596	*1·6*	1949	*0·5*

on selected services—1954-55.

rupees) are given in *italics*.

(Rupees in lakhs)

Total of all Administrative Services		Education		Medical and Public Health		Other Social Services		Total of all Social Services	
729	*3·6*	449	*2·2*	158	*0·8*	141	*0·7*	748	*3·7*
267	*3·0*	266	*2·9*	115	*1·3*	118	*1·3*	499	*5·5*
860	*2·1*	669	*1·6*	351	*0·9*	321	*0·8*	1341	*3·3*
1725	*4·8*	1414	*3·9*	458	*1·3*	260	*0·7*	2132	*5·9*
489	*2·6*	497	*2·7*	191	*1·0*	96	*0·5*	784	*4·2*
331	*4·1*	227	*2·8*	129	*1·6*	148	*1·9*	504	*6·3*
572	*2·7*	436	*2·1*	126	*0·6*	239	*1·1*	801	*3·8*
1312	*3·7*	919	*2·6*	408	*1·1*	276	*0·8*	1603	*4·5*
251	*2·5*	343	*3·5*	139	*1·4*	140	*1·4*	622	*6·3*
414	*2·8*	190	*1·3*	91	*0·6*	96	*0·7*	377	*2·6*
168	*4·8*	123	*3·5*	64	*1·8*	42	*1·2*	229	*6·5*
526	*4·2*	284	*2·3*	117	*0·9*	104	*0·8*	505	*4·0*
546	*3·6*	322	*2·1*	192	*1·2*	89	*0·6*	603	*3·9*
250	*6·1*	154	*3·8*	70	*1·7*	56	*1·3*	280	*6·8*
190	*2·0*	330	*3·6*	114	*1·2*	69	*0·7*	513	*5·5*
1560	*2·5*	960	*1·5*	368	*0·6*	545	*0·9*	1873	*3·0*
1067	*4·3*	627	*2·5*	487	*2·0*	365	*1·5*	1479	*6·0*
90	*2·0*	57	*1·3*	26	*0·6*	31	*0·7*	114	*2·6*
46	*6·6*	59	*8·4*	12	*1·7*	7	*1·0*	78	*11·1*
50	*6·3*	51	*6·4*	40	*5·0*	19	*2·4*	110	*13·8*
10	*5·0*	20	*10·0*	8	*4·0*	12	*6·0*	40	*20·0*
96	*2·7*	108	*3·0*	33	*0·9*	26	*0·7*	167	*4·6*
31	*5·2*	11	*1·9*	8	*1·3*	6	*1·0*	25	*4·2*
11580	*3·2*	8516	*2·4*	3705	*1·0*	3206	*0·9*	15427	*4·3*

9(*e*). *Expenditure in States*

Per capita figures (in

	General Administration		Police		Other Administrative Services	
Andhra	359	1·7	267	1·3	100	0·5
Assam	104	1·2	166	1·8	39	0·4
Bihar	338	0·8	421	1·1	191	0·5
Bombay	478	1·3	980	2·7	298	0·8
Hyderabad	178	1·0	302	1·6	77	0·4
Madhya Bharat	124	1·6	206	2·6	52	0·6
Madhya Pradesh	304	1·4	265	1·2	81	0·4
Madras	447	1·2	520	1·5	212	0·6
Mysore	89	0·9	121	1·2	42	0·4
Orissa	375	2·6	165	1·1	49	0·3
Pepsu	56	1·6	94	2·7	28	0·8
Punjab	157	1·2	335	2·7	85	0·7
Rajasthan	186	1·2	295	2·0	64	0·4
Saurashtra	80	2·0	103	2·5	82	2·0
Travancore-Cochin	67	0·7	96	1·0	59	0·6
Uttar Pradesh	610	1·0	807	1·3	280	0·4
West Bengal	293	1·2	682	2·7	204	0·8
Jammu and Kashmir	38	0·9	46	1·0	12	0·3
Ajmer	15	2·1	27	3·9	6	0·9
Bhopal	20	2·5	23	2·9	6	0·7
Coorg	6	3·0	4	2·0	1	0·5
Vindhya Pradesh	42	1·2	55	1·5	13	0·4
Kutch	7	1·2	21	3·5	5	0·8
Total	4373	1·2	6001	1·7	1986	0·6

on selected services—1955-56.

rupees) are given in *italics*.

(Rupees in lakhs)

Total of all Administrative Services		Education		Medical and Public Health		Other Social Services		Total of all Social Services	
726	*3·5*	515	*2·5*	201	*1·0*	145	*0·7*	861	*4·2*
309	*3·4*	392	*4·4*	153	*1·7*	184	*2·0*	729	*8·1*
950	*2·4*	774	*1·9*	566	*1·4*	552	*1·4*	1892	*4·7*
1756	*4·8*	1592	*4·4*	584	*1·6*	384	*1·1*	2560	*7·1*
557	*3·0*	535	*2·9*	196	*1·0*	114	*0·6*	845	*4·5*
382	*4·8*	266	*3·3*	211	*2·7*	251	*3·1*	728	*9·1*
650	*3·0*	563	*2·6*	167	*0·8*	151	*0·7*	881	*4·1*
1179	*3·3*	1093	*3·1*	438	*1·2*	303	*0·9*	1834	*5·2*
252	*2·5*	367	*3·7*	149	*1·5*	156	*1·6*	672	*6·8*
589	*4·0*	251	*1·7*	113	*0·8*	131	*0·9*	495	*3·4*
178	*5·1*	144	*4·1*	68	*2·0*	49	*1·4*	261	*7·5*
577	*4·6*	370	*2·9*	145	*1·1*	96	*0·8*	611	*4·8*
545	*3·6*	358	*2·3*	266	*1·8*	77	*0·5*	701	*4·6*
265	*6·5*	252	*6·2*	92	*2·2*	62	*1·5*	406	*9·9*
222	*2·3*	477	*5·1*	166	*1·8*	105	*1·1*	748	*8·0*
1697	*2·7*	1023	*1·6*	423	*0·7*	549	*0·9*	1995	*3·2*
1179	*4·7*	921	*3·7*	522	*2·1*	376	*1·5*	1819	*7·3*
96	*2·2*	59	*1·4*	28	*0·6*	40	*0·9*	127	*2·9*
48	*6·9*	74	*10·6*	16	*2·3*	11	*1·6*	101	*14·5*
49	*6·1*	81	*10·1*	77	*9·6*	30	*3·8*	188	*23·5*
11	*5·5*	23	*11·5*	13	*6·5*	12	*6·0*	48	*24·0*
110	*3·1*	128	*3·6*	38	*1·0*	37	*1·0*	203	*5·6*
33	*5·5*	13	*2·2*	12	*2·0*	8	*1·3*	33	*5·5*
12360	*3·5*	10271	*2·9*	4644	*1·3*	3823	*1·0*	18738	*5·2*

10. *Resources transferred from Union to States through devolution of revenue and grants.*

(As shown in Union budgets)

(Rupees in lakhs)

	1951-52	1952-53	1953-54	1954-55	1955-56
Share of Income Tax . .	52,86	56,98	57,29	55,95	55,16
Share of Union Excise Duties .	..	16,83	15,55	15,11	16,57
Grants Under Articles—					
273	1,85	3,15	3,15	3,15	3,15
275	2,28	6,77	8,80	10,51	12,12
278	13,17	9,25	9,05	9,00	9,00
Grants Under Article 282					
Rehabilitation Grants . .	9,08	6,24	5,84	5,49	9,57
Grow More Food Grants .	2,46	3,37	3,84	1,88	1,99
Grants for Community Projects, National Extension Service and Local Development Works . .	..	50	3,31	8,89	14,85
Other Grants . . .	46	8,09	13,18	30,18	49,18
Transfer from Central Road Fund	2,96	2,22	2,65	4,25	3,85
Total .	85,12	1,13,40	1,22,66	1,44,41	1,75,44

11 (*a*). *Resources transferred from Union to States*

	Share of Income Tax	Share of Union Excise Duties	Grants under			
			Article 273	Article 275		Article 278
				General Grants-in-aid	Grants under provisos	
Andhra . .	..	..	..	..	..	..
Assam . .	1,57	..	40	30	69	..
Bihar . .	6,54	..	35	..	15	4
Bombay . .	10,99	..	..	..	..	1,43
Hyderabad . .	..	..	..	..	4	1,16
Madhya Bharat .	6	..	..	..	4	..
Madhya Pradesh .	3,14	..	..	..	12	55
Madras . .	9,15	..	..	..	4	..
Mysore . .	..	..	..	..	..	3,45
Orissa . .	1,57	..	5	40	30	..
Pepsu . .	15	..	..	..	..	..
Punjab . .	2,88	..	..	..	..	..
Rajasthan . .	13	..	..	..	5	..
Saurashtra . .	..	..	..	..	..	3,00
Travancore-Cochin	..	..	..	..	..	3,63
Uttar Pradesh .	9,42	..	..	..	..	..
West Bengal .	7,06	..	1,05	..	2	49
Jammu and Kashmir	..	..	..	..	..	..
Ajmer . .	..	..	..	..	..	..
Bhopal . .	..	..	..	..	..	..
Coorg . .	..	..	..	..	..	..
Vindhya Pradesh .	..	..	..	..	..	..
Kutch . .	..	..	..	..	..	..
Unallocated sums or adjustments.	20	..	..	..	13	(—) 58
Total	52,86	..	1,85	70	1,58	13,17

NOTE.—Statewise figures are from State Budgets,

through devolution of revenue and grants—1951-52.

(Rupees in lakhs)

Grants under Article 282				Transfer from Central Road Fund	Total
Rehabilitation Grants	Grow More Food Grants	Grants for Community Projects, National Extension Service and Local Development Works	Other Grants		
..	..	..	..	..	..
..	5	..	19	32	3,52
..	..	..	1,71	27	9,06
..	..	..	65	27	13,34
..	..	..	96	20	2,36
..	..	..	15	8	33
11	5	..	1	2	4,00
..	99	..	5	23	10,46
..	53	..	..	..	3,98
..	59	..	..	2	2,93
19	..	..	..	..	34
14	12	..	..	23	3,37
..	..	..	..	1	19
..	..	..	5	..	3,05
..	..	..	..	..	3,63
35	..	..	57	63	10,97
..	26	..	5	41	9,34
..	..	..	1	..	1
..	..	..	..	..	..
..	..	..	..	..	..
..	..	..	2	..	2
..	..	..	..	..	..
..	..	..	..	..	..
8,29	(—) 13	..	(—) 3,96	27	4,22
9,08	2,46	..	46	2,96	85,12

while totals are from Union budget.

11 (b). *Resources transferred from Union to States*

	Share of Income Tax	Share of Union Excise Duties	Grants under			
			Article 273	Article 275		Article 278
				General Grants-in-aid	Grants under provisos	
Andhra . .	..	..	..	..	..	..
Assam . .	1,39	46	75	1,00	69	..
Bihar . .	5,99	2,04	75	..	17	..
Bombay . .	10,67	1,82	..	..	8	..
Hyderabad . .	2,47	95	..	..	6	..
Madhya Bharat .	96	40	..	..	8	..
Madhya Pradesh .	3,19	1,08	..	..	17	..
Madras . .	9,42	2,89	..	..	9	..
Mysore . .	..	..	..	40	..	3,45
Orissa . .	2,08	74	15	75	22	..
Pepsu . .	41	..	..	..	..	..
Punjab . .	2,06	64	..	1,25	2	..
Rajasthan . .	1,92	77	..	..	5	..
Saurashtra . .	..	..	..	40	..	2,75
Travancore-Cochin	..	..	..	45	..	3,05
Uttar Pradesh .	9,56	3,20	..	..	..	..
West Bengal .	6,86	1,26	1,50	80	..	..
Jammu and Kashmir	..	..	..	..	..	..
Ajmer . .	..	..	..	..	..	..
Bhopal . .	..	..	..	..	..	..
Coorg . .	..	..	..	..	..	..
Vindhya Pradesh .	..	..	..	..	..	..
Kutch . .	..	..	..	..	..	..
Unallocated sums or adjustments.	..	58	..	13	(—) 4	..
Total	56,98	16,83	3,15	5,18	1,59	9,25

NOTE.—State wise figures are from State budgets, while totals

through devolution of revenue and grants—1952-53.

(Rupees in lakhs)

Grants under Article 282				Transfer from Central Road Fund	Total
Rehabilitation Grants	Grow More Food Grants	Grants for Community Projects, National Extension Service and Local Development Works	Other Grants		
..	..	..	..	..	..
..	23	1	10	1,32	5,95
..	76	9	23	16	10,19
..	25	2	1,00	33	14,17
..	..	7	21	..	3,76
..	..	7	10	..	1,61
3	4	7	12	4	4,74
..	4	3	58	54	13,59
..	3	1	..	..	3,89
..	53	7	..	4	4,58
..	4	1	3	2	51
3	3	..	4	22	4,29
..	..	4	14	17	3,09
..	6	1	22	18	3,62
..	..	5	2	13	3,70
38	..	17	68	23	14,22
7	27	12	3	32	11,23
..	..	..	..	..	..
2	..	..	1,64	..	1,66
..	..	..	1,05	1	1,06
..	3	3	1	..	7
2	..	..	..	..	2
..	..	..	..	..	..
5,69	1,06	(—) 37	1,89	(—) 1,49	7,45
6,24	3,37	50	8,09	2,22	1,13,40

are from Union budget.

11(c). *Resources transferred from Union to States*

	Share of Income Tax	Share of Union Excise Duties	Grants under Article 273	Grants under Article 275: General Grants-in-aid	Grants under Article 275: Grants under provisos	Grants under Article 278
Andhra	1,76	46	..	..	8	..
Assam	1,40	43	75	1,00	1,15	..
Bihar	6,03	1,93	75	41	22	..
Bombay	10,76	1,72	..	..	13	..
Hyderabad	2,50	90	..	20	3	..
Madhya Bharat	97	38	..	9	7	..
Madhya Pradesh	3,21	1,05	..	25	20	..
Madras	3,07	81	..	..	1	..
Mysore	7	2	..	40	1	3,46
Orissa	2,09	72	15	91	22	..
Pepsu	42	34	..	5	..	..
Punjab	2,08	61	..	1,39	5	..
Rajasthan	1,94	73	..	20	4	..
Saurashtra	..	..	..	40	1	2,75
Travancore-Cochin	..	..	..	45	..	2,80
Uttar Pradesh	9,64	3,03	..	..	..	..
West Bengal	6,92	1,19	1,50	80	10	..
Jammu and Kashmir	..	..	..	..	..	..
Ajmer	..	..	..	..	..	..
Bhopal	..	..	..	..	..	..
Coorg	..	..	..	..	..	..
Vindhya Pradesh	..	..	..	..	..	..
Kutch	..	..	..	..	..	..
Unallocated sums, transfers to the composite State of Madras for the first six months of the year or adjustments.	4,43	1,23	..	..	(—) 7	4
Total	57,29	15,55	3,15	6,55	2,25	9,05

NOTE.—Statewise figures are from State budgets, while totals are from Union

through devolution of revenue and grants—1953-54.

(Rupees in lakhs)

Grants under Article 282					
Rehabilitation Grants	Grow More Food Grants	Grants for Community Projects, National Extension Service and Local Development Works	Other Grants	Transfer from Central Road Fund	Total
..	21	15	..	10	2,76
..	4	18	17	1,09	6,21
..	15	34	1,18	13	11,14
..	30	21	1,81	73	15,66
..	..	15	1	9	3,88
..	..	2	33	4	1,90
3	8	32	19	10	5,43
..	..	15	20	3	4,27
..	5	9	4	15	4,29
..	12	10	..	4	4,35
..	..	6	15	7	1,09
7	2	39	..	14	4,75
..	..	12	48	29	3,80
..	26	6	8	..	3,56
..	..	8	2	10	3,45
41	..	96	77	21	15,02
33	11	12	32	13	11,52
..	..	..	..	..	..
..	2	1	1,12	..	1,15
..	..	6	92	6	1,04
..	1	1	4	..	6
1	..	..	2,20	..	2,21
..	..	..	..	..	..
4,99	2,47	(—) 27	3,15	(—) 85	15,12
5,84	3,84	3,31	13,18	2,65	1,22,66

budget,

11(*d*). *Resources transferred from Union to States*

	Share of Income Tax	Share of Union Excise Duties	Grants under			
			Article 273	Article 275		Article 278
				General Grants-in-aid	Grants under provisos	
Andhra . .	3,26	96	..	..	12	..
Assam . .	1,33	42	75	1,00	1,79	..
Bihar . .	5,79	1,87	75	55	31	..
Bombay . .	10,39	1,68	..	..	28	..
Hyderabad . .	2,67	87	..	27	1	..
Madhya Bharat .	1,04	37	..	9	16	..
Madhya Pradesh .	3,12	99	..	33	28	..
Madras . .	5,67	1,67	..	..	2	..
Mysore . .	12	4	..	40	1	3,45
Orissa . .	2,08	68	15	97	33	..
Pepsu . .	45	16	..	6	..	..
Punjab . .	1,93	59	..	1,44	4	..
Rajasthan . .	2,08	71	..	26	16	..
Saurashtra . .	..	..	..	40	1	2,75
Travancore-Cochin	..	..	..	45	1	2,80
Uttar Pradesh .	9,35	2,95	..	..	..	..
West Bengal .	6,68	1,16	1,50	80	12	..
Jammu and Kashmir	..	..	..	..	..	..
Ajmer . .	..	..	..	..	..	..
Bhopal . .	..	..	..	..	..	..
Coorg . .	..	..	..	..	..	..
Vindhya Pradesh .	..	..	..	..	..	..
Kutch . .	..	..	..	..	..	..
Unallocated sums or adjustments	(—) 1	(—) 1	..	3	(—)19	..
Total	55,95	15,11	3,15	7,05	3,46	9,00

NOTE.—State wise figures are from State budgets, while

through devolution of revenue and grants—1954-55.

(Rupees in lakhs)

Grants under Article 282					
Rehabilitation Grants	Grow More Food Grants	Grants for Community Projects, National Extension Service and Local Development Works	Other Grants	Transfer from Central Road Fund	Total
..	24	40	..	9	5,07
..	7	25	12	83	6,56
..	18	1,13	4,06	23	14,87
..	11	72	64	1,74	15,56
..	..	22	37	16	4,57
..	6	34	82	15	3,03
5	3	59	61	13	6,13
..	..	69	90	37	9,32
..	4	24	6	17	4,53
..	5	42	89	6	5,63
..	..	10	36	10	1,23
30	10	62	56	26	5,84
..	..	41	2,30	38	6,30
..	..	19	1,74	13	5,22
..	..	12	8	7	3,53
41	..	1,41	1,77	21	16,10
29	30	72	1,17	78	13,52
..	..	..	2,42	..	2,42
..	2	1	1,07	..	1,10
..	..	2	1,43	..	1,45
..	4	2	9	1	16
1	..	..	1,34	1	1,36
..	..	..	..	..	..
4,43	64	27	7,38	(—) 1,63	10,91
5,49	1,88	8,89	30,18	4,25	1,44,41

totals are from Union budget.

11(*e*). *Resources transferred from Union to States*

	Share of Income Tax	Share of Union Excise Duties	Grants under			
			Article 273	Article 275		Article 278
				General Grants-in-aid	Grants Under provisos	
Andhra . .	3,21	1,05	..	..	13	..
Assam . .	1,32	46	75	1,00	2,07	..
Bihar . .	5,71	2,05	75	69	45	..
Bombay . .	10,24	1,84	..	..	28	..
Hyderabad . .	2,63	95	..	33	3	..
Madhya Bharat .	1,03	41	..	15	9	..
Madhya Pradesh .	3,07	1,09	..	42	34	..
Madras . .	5,60	1,83	..	..	2	..
Mysore . .	12	4	..	40	1	3,45
Orissa . .	2,17	75	15	1,02	49	..
Pepsu . .	44	18	..	8	9	..
Punjab . .	1,90	65	..	1,48	6	..
Rajasthan . .	2,05	78	..	33	6	..
Saurashtra . .	..	..	..	40	3	2,75
Travancore-Cochin	..	..	..	45	2	2,80
Uttar Pradesh .	9,22	3,23	..	..	..	..
West Bengal .	6,58	1,27	1,50	80	16	..
Jammu and Kashmir	..	..	..	..	..	..
Ajmer . .	..	..	..	..	..	..
Bhopal . .	..	..	..	..	..	..
Coorg . .	..	..	..	..	..	..
Vindhya Pradesh .	..	..	..	..	..	..
Kutch . .	..	..	..	..	..	..
Unallocated sums or adjustments.	(—) 13	(—) 1	..	..	24	..
Total .	55,16	16,57	3,15	7,55	4,57	9,00

NOTE.—Statewise figures obtained from State Accountants

through devolution of revenue and grants—1955-56.

(Rupees in lakhs)

Grants under Article 282				Transfer from Central Road Fund	Total
Rehabilitation Grants	Grow More Food Grants	Grants for Community Projects, National Extension Service and Local Development Works	Other Grants		
12	..	72	31	..	5,54
..	..	42	1,48	78	8,28
..	33	1,10	2,65	21	13,94
..	..	98	2,63	1,42	17,39
..	..	76	44	..	5,14
..	..	20	98	8	2,94
..	..	87	1,92	..	7,71
..	..	1,75	2,48	..	11,68
..	6	31	22	..	4,61
..	7	56	2,62	8	7,91
..	..	29	83	..	1,91
9	..	75	1,69	..	6,62
..	..	32	1,04	23	4,81
..	2	21	2,23	5	5,69
..	1	28	66	..	4,22
..	..	2,67	3,08	27	18,47
50	..	70	3,46	53	15,50
7	..	4	2,56	..	2,67
..	..	8	1,78	..	1,86
..	..	11	2,34	3	2,48
..	1	6	6	2	15
1	1	16	2,22	1	2,41
..	..	..	..	..	..
8,78	1,48	1,51	11,50	14	23,51
9,57	1,99	14,85	49,18	3,85	1,75,44

General, while totals are from Union budget.

12. *Budget estimates of revenue and expenditure of States for 1957-58.*

(Rupees in lakhs)

	Total Revenue	*Per Capita*	Total Expenditure	*Per Capita*
Andhra Pradesh . . .	52,90	*16·9*	57,18	*18·3*
Assam	23,79	*26·4*	28,36	*31·5*
Bihar	43,45 (*b*)	*11·2*	66,57	*17·2*
Bombay	1,09,35	*22·6*	1,03,44	*21·4*
Kerala	27,90 (*b*)	*20·7*	29,86	*22·1*
Madhya Pradesh . . .	50,66 (*a*)	*19·4*	53,39	*20·5*
Madras	57,86 (*a*)	*19·3*	60,46	*20·2*
Mysore	37,16	*19·2*	44,97	*23·2*
Orissa	21,89 (*a*)	*15·0*	24,60	*16·8*
Punjab	39,36 (*b*)	*24·4*	41,97	*26.1*
Rajasthan	29,31 (*a*)	*18·3*	31,82	*19·9*
Uttar Pradesh . . .	89,30 (*b*)	*14·1*	93,24	*14·8*
West Bengal	59,64	*22·7*	68,29	*26·0*
Jammu and Kashmir . .	7,66 (*a*)	*17·4*	8,81	*20·0*
Total . . .	6,50,23	*18·2*	7,12,96	*20·0*

(*a*) Includes effect of proposals for additional taxation.

(*b*) Does not include effect of budget proposals.

NOTE.—Revenue includes provision on the basis of interim recommendations of Finance Commission and Central grants.

13. *Revenue from Union Duties*

Excise Duty on	1948-49	1949-50
Motor Spirit	1,41	1,73
Kerosene	20	22
Silver	..	..
Sugar	6,47	7,34
Matches	7,30	7,57
Steel Ingots	46	52
Tyres	1,98	3,57
Tobacco	25,46	28,23
Vegetable Products	1,96	2,28
Coffee	49	50
Tea	3,66	2,54
Cotton Cloth	87	12,33
Artificial Silk		
Cement		
Footwear		
Soap		
Woollen Fabrics		
Electric Fans		
Electric Bulbs		
Electric Batteries		
Paper		
Paints and Varnishes		
Vegetable Non-essential Oils		
Refined Diesel Oils and Vapourising Oils		
Industrial Fuel Oils (Diesel Oil and Furnance Oil).		
Rayon and Synthetic Fibres and Yarn		
Motor Cars		
Coal Cess	1,02	1,32
Cess on Copra		
Cess on Oils and Oil Seeds		
Miscellaneous	36	33
TOTAL—Gross Revenue	51,64	68,48
Deduct—Refunds and drawbacks	—1,01	—63
Total	50,63	67,85

(Source :

of Excise—1948-49 *to* 1957-58.

(Rupees in lakhs)

1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57 Revised	1957-58 Budget
2,08	2,07	2,11	2,47	9,87	23,05	23,20	32,50
28	26	24	33	93	2,43	2,75	3,00
..	..	1	..	..	..	..	..
6,46	8,43	9,93	14,36	8,36	18,58	20,00	37,70
8,07	8,69	9,45	9,32	9,25	10,08	10,00	15,41
54	55	61	60	67	69	65	5,65
4,04	6,09	4,40	4,95	5,39	5,53	5,70	5,70
31,99	35,55	34,68	33,00	31,39	36,46	35,49	40,98
2,19	2,45	2,75	2,79	3,13	3,82	3,50	3,50
1,17	77	59	77	98	93	1,05	1,20
3,36	4,31	3,46	2,09	3,19	3,17	3,50	4,00
9,26	16,36	13,46	21,67	27,59	28,18	59,58	72,00
			11	49	2,18	80	80
			10	2,11	2,22	2,30	8,50
			8	82	84	85	90
			16	1,40	1,55	1,60	1,60
				2	53	60	60
				5	27	28	28
				1	25	30	30
				5	73	80	84
				21	2,68	2,95	5,15
				9	1,01	1,10	1,10
					29	5,00	7,77
					16	2,70	4,65
					47	2,15	2,71
						23	90
						27	80
1,62	1,66	2,42	2,54	2,45	2,38	2,45	2,45
						8	8
						20	20
44	42	62	72	1,91	76	55	55
71,50	87,61	84,73	96,06	110,36	149,24	190,63	261,82
—3,96	—1,83	—1,70	—1,08	—2,14	—3,99	—1,90	—2,25
67,54	85,78	83,03	94,98	108,22	145,25	188,73	259,57

Union budgets)

14. *Loans made by Government of India between 15th August 1947 and 31st March 1956 outstanding on the latter date.*

	Number	Amount (Rupees in lakhs)
Andhra	88	5231·14
Assam	131	1767·29
Bihar	178	5199·42
Bombay	177	5950·31
Madhya Pradesh	137	2534·45
Madras	171	6113·63
Orissa	130	7043·66
Punjab	230	15469·77
Uttar Pradesh	223	9016·42
West Bengal	307	13465·46
Hyderabad	113	2307·40
Madhya Bharat	111	1403·84
Mysore	114	2386·54
Pepsu	125	1217·48
Rajasthan	155	3977·49
Saurashtra	113	1352·88
Travancore-Cochin	61	1247·45
Jammu and Kashmir	41	1817·61
Ajmer	43	96·04
Bhopal	74	187·10
Coorg	24	26·59
Vindhya Pradesh	46	218·07
Total	2792	88030·04

15. *Number of loans, classified according*
Government of India between 15th

State	Interest Free	1%	1½%	2%	2¼%	2½%	2¾%	2⅞%	3%	3⅛%	3¼%	3½%	3⅜%
Andhra . . .	15	..	..	..	1	..	..	..	8	8	..	..	..
Assam . . .	15	..	..	1	..	..	..	..	1	5	6	..	1
Bihar . . .	19	..	..	..	..	..	..	..	11	9	2	..	1
Bombay . . .	13	..	..	1	..	..	..	..	2	3	6	..	1
Madhya Pradesh . .	28	..	1	1	1	1	10	2	17	11	13	..	1
Madras . . .	48	1	1	1	1	..	..	2	9	3	4	..	1
Orissa . . .	23	..	..	1	..	1	9	..	8	3	3	..	1
Punjab . . .	11	1	..	..	..	..	2	4	16	16	14	..	4
Uttar Pradesh . .	24	..	..	..	..	..	..	1	19	8	16	..	3
West Bengal . .	29	..	1	3	..	..	4	1	27	17	18	..	2
Hyderabad . . .	23	..	1	..	1	..	..	..	3	5	6	..	
Madhya Bharat . .	15	..	1	..	..	..	..	..	13	6	7	1	..
Mysore . . .	20	..	..	..	..	..	..	..	3	2	2	..	2
Pepsu . . .	9	..	..	..	..	..	..	..	5	5	6	..	..
Rajasthan . . .	6	..	..	..	2	..	1	3	30	8	10	..	2
Saurashtra . . .	17	..	..	..	..	..	..	..	7	2	2	..	1
Travancore-Cochin .	8	..	..	..	..	..	..	..	2	2	1	..	..
Jammu and Kashmir .	..	..	..	..	..	..	..	..	1	..	2	..	..
Ajmer . . .	2	..	..	..	..	..	..	..	4	1	4	..	..
Bhopal . . .	8	..	..	..	1	..	..	..	2	7	3	..	..
Coorg . . .	1	..	..	..	..	..	..	..	1	..	..	..	..
Vindhya Pradesh . .	5	..	..	..	..	..	..	..	2	2	2	..	..
Total . .	339	2	5	8	7	2	26	13	191	123	127	1	20

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to rates of interest, sanctioned to States by August 1947 and 31st March 1956.

3½%	3⅝%	3¾%	3⅞%	4%	4⅛%	4¼%	4⅜%	4½%	4¾%	5%	Terms not settled	Total
1	2	2	1	36	18	9	..	19	..	..	1	121
4	13	18	..	27	26	7	..	17	..	..	1	142
11	10	10	..	17	37	25	..	33	..	..	4	189
5	10	8	2	24	26	62	..	23	..	..	2	188
3	19	3	3	12	27	11	..	10	..	..	..	174
7	8	3	4	41	26	19	..	19	..	..	..	198
14	16	5	..	17	25	11	1	13	..	..	1	152
6	12	9	..	37	41	45	..	18	..	..	3	239
10	22	11	6	23	36	38	..	15	..	..	6	238
21	31	16	9	49	28	35	1	50	..	..	3	345
10	10	9	..	36	16	11	..	10	1	..	1	143
10	9	1	5	19	22	11	..	7	..	..	2	129
4	1	1	4	21	23	25	..	10	..	..	2	120
5	11	7	7	19	24	16	..	12	..	..	3	129
4	9	6	1	34	24	12	..	17	..	..	1	170
4	2	5	1	20	26	13	..	17	..	..	..	117
1	2	1	..	18	19	4	..	7	..	..	2	67
3	5	2	..	13	5	2	..	4	..	..	4	41
..	4	6	..	..	8	1	..	8	..	..	5	43
1	8	5	8	..	5	6	..	6	..	..	16	76
..	1	..	..	1	11	1	..	6	1	2	..	25
..	4	1	..	..	9	3	..	8	..	..	15	51
124	209	129	51	464	482	367	2	329	2	2	72	3097

16. *Railway route mileage in States and Union territories.*

		Central	Eastern	Northern	North Eastern	Southern	South Eastern	Western	Total
Andhra Pradesh									
	B.G.	514	..	..	..	848	238	..	1,600
	M. G.	317	..	..	..	867	..	..	1,184
	N. G.	..	..	..	..	..	23	..	23
	Total	831	..	..	..	1,715	261	..	2,807
Assam									
	B. G.	..	..	..	..	..	..	..	..
	M. G.	..	..	..	1,088	..	..	..	1,088
	N. G.	..	..	..	..	..	..	..	..
	Total	..	..	..	1,088	..	..	..	1,088
Bihar									
	B. G.	..	1,243	..	..	..	380	..	1,623
	M. G.	..	..	..	1,221	..	..	..	1,221
	N. G.	..	..	..	..	..	79	..	79
	Total	..	1,243	..	1,221	..	459	..	2,923
Bombay									
	B. G.	1,315	..	..	..	..	138	779	2,232
	M. G.	455	..	..	..	218	..	2,019	2,692
	N. G.	417	..	..	..	..	261	717	1,395
	Total	2,187	..	..	..	218	399	3,515	6,319
Kerala									
	B. G.	..	..	..	..	357	..	..	357
	M. G.	..	..	..	..	110	..	..	110
	N. G.	..	..	..	..	..	..	..	..
	Total	..	..	..	..	467	..	..	467
Madhya Pradesh									
	B. G.	1,287	..	..	..	..	589	183	2,059
	M. G.	..	..	..	..	..	..	267	267
	N. G.	294	..	..	..	..	420	..	714
	Total	1,581	..	..	..	..	1,009	450	3,040
Madras									
	B. G.	..	..	..	..	520	..	..	520
	M. G.	..	..	..	..	1,684	..	..	1,684
	N. G.	..	..	..	..	..	..	..	..
	Total	..	..	..	..	2,204	..	..	2,204
Mysore									
	B. G.	218	..	..	..	82	..	..	300
	M. G.	..	..	..	..	1,281	..	..	1,281
	N. G.	..	..	..	..	96	..	..	96
	Total	218	..	..	..	1,459	..	..	1,677
Orissa									
	B. G.	..	..	..	..	..	734	..	734
	M. G.	..	..	..	..	..	..	..	..
	N. G.	..	..	..	..	..	104	..	1 04
	Total	..	..	..	..	..	838	..	838

16. *Railway route mileage in States and Union territories*—concld.

	Central	Eastern	Northern	North Eastern	Southern	South Eastern	Western	Total
Punjab								
B. G.	43	..	1,623	..	..	..	..	1,666
M. G.	..	..	450	..	..	..	60	510
N. G.	..	..	140	..	..	..	..	140
Total	43	..	2,213	..	..	..	60	2,316
Rajasthan								
B. G.	114	..	4	..	..	..	286	404
M. G.	..	..	1,539	..	..	..	1,244	2,783
N. G.	54	..	..	..	..	..	..	54
Total	168	..	1,543	..	..	..	1,530	3,241
Uttar Pradesh								
B. G.	599	81	2,492	2	..	..	40	3,214
M. G.	..	..	2	2,018	..	..	25	2,045
N. G.	2	..	..	..	..	..	..	2
Total	601	81	2,494	2,020	..	..	65	5,261
West Bengal								
B. G.	..	980	..	..	..	395	..	1,375
M. G.	..	..	..	424	..	..	..	424
N. G.	..	17	..	52	..	38	..	107
Total	..	997	..	476	..	433	..	1,906
Union territories								
B. G.	5	..	53	..	..	..	..	58
M. G.	..	..	16	..	..	..	..	16
N. G.	..	..	21	..	..	..	..	21
Total	5	..	90	..	..	..	..	95
Grand Total								
B. G.	4,095	2,304	4,172	2	1,807	2,474	1,288	16,142
M. G.	772	..	2,007	4,751	4,160	..	3,615	15,305
N. G.	767	17	161	52	96	925	717	2,735
Total	5,634	2,321	6,340	4,805	6,063	3,399	5,620	34,182

NOTE.—(i) Route mileage as on 31 March 1956 has been distributed among the States and Union territories.

(ii) B. G. means broad gauge,
M. G. means metre gauge, and
N. G. means narrow gauge.

17. *Railway passenger earnings excluding*

Railway	Broad Gauge		
	1953-54	1954-55	1955-56
Central	13,55,15	15,03,79	15,83,14
Eastern	14,54,36	15,42,04	9,63,89
Northern	17,87,38	16,16,90	17,62,08
North-Eastern	..	..	..
Southern	6,94,56	7,08,19	8,12,60
South-Eastern	..	..	5,57,07
Western	[6,16,66	7,18,19	7,49,71
Total . . .	59,08,11	60,89,11	64,28,49

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those from suburban traffic.

(Rupees in thousands)

Metre Gauge			Narrow Gauge			Total		
1953-54	1954-55	1955-56	1953-54	1954-55	1955-56	1953-54	1954-55	1955-56
1,23,23	1,14,28	1,17,05	33,70	63,49	63,58	15,12,08	16,81,56	17,63,77
..	..	..	54,65	50,71	1,67	15,09,01	15,92,75	9,65,56
2,60,08	2,56,48	2,77,54	17,11	16,85	17,41	20,64,57	18,90,23	20,57,03
11,35,83	10,99,22	11,44,18	3,13	1,68	1,83	11,38,96	11,00,90	11,46,01
9,77,86	9,97,41	10,04,00	5,11	4,33	4,40	16,77,53	17,09,93	18,21,00
..	..	..	..	..	48,84	..	..	6,05,91
6,63,74	6,89,70	7,42,46	65,87	65,66	68,24	13,46,27	14,73,55	15,60,41
31,60,74	31,57,09	32,85,23	1,79,57	2,02,72	2,05,97	92,48,42	94,48,92	99,19,69

GIPND—SST—359 M of F—13-11-57—2,250.